

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 and the nine months ended September 30, 2017. The information in this MD&A is current as of November 21, 2017, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto for the three months and nine months ended September 30, 2017 and the audited annual financial statements and MD&A for the year ended December 31, 2016.

The Company's interim condensed consolidated financial statements and notes thereto for the three months and nine months ended September 30, 2017 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.

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, weighted average royalty rate and cash returned from royalty payments and Contract Buyouts to assist in assessing the Company's financial performance. EBITDA, Adjusted EBITDA, Free Cash Flow, weighted average royalty rate and cash returned from royalty payments and Contract Buyouts (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 interim condensed consolidated financial statements for the three months and nine months ended September 30, 2017, 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 underserved 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 underserved 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 or predictable revenue and the capability to raise capital from other investors. This refocus somewhat correlates with more technology-driven businesses, although opportunities for high returns occur 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. (“Foregrowth”), a subsidiary of Gravitas Ilium Corp. and Darwin Strategic Royalty Corporation (“Darwin”). These joint ventures provide Grenville with the opportunity to (i) spread risk over a larger group of investments to allow for 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.

DIVIDEND STRATEGY

The Company decided to suspend the monthly dividend starting in October 2016. The Company’s 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 September 30, 2017	Three months ended September 30, 2016 ⁽²⁾	Nine months ended September 30, 2017	Nine months ended September 30, 2016 ⁽²⁾
Revenues	\$ (1,222,621)	\$ (854,503)	\$ (6,732,289)	\$ (2,397,198)
(Loss)/Profit for the period	(1,763,068)	(1,690,843)	(8,011,560)	(5,514,867)
EBITDA/EBITDA (Loss) ⁽¹⁾	(1,926,154)	(1,720,599)	(9,471,370)	(5,957,958)
Adjusted EBITDA ⁽¹⁾	555,774	1,376,396	4,084,759	3,470,664
Free Cash Flow ⁽¹⁾	166,068	163,992	3,737,244	(97,540)
Basic Earnings/(Loss) per share	(0.0166)	(0.0159)	(0.0754)	(0.0522)
Diluted Earnings/(Loss) per share	(0.0166)	(0.0159)	(0.0754)	(0.0522)
Weighted basic average number of shares outstanding	106,317,656	105,596,427	106,311,120	106,282,918
Weighted diluted average number of shares outstanding	133,991,463	133,006,662	133,984,927	133,286,331

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

(2) For the three-month and nine-month period ended September 30, 2016 the company reported under results of operations dividend paid and payable during the period and dividend per share on an annualized basis. As the dividend was suspended in October 2016, this information was not included again as it would not provide a meaningful comparison.

Revenue analysis

Three months ended September 30, 2017

	Three months ended September 30, 2017	Three months ended September 30, 2016	Growth %
Royalty payment income	\$ 1,049,836	\$ 1,953,656	(46.3)
Realized/Unrealized foreign exchange gain (loss)	(690,206)	545,418	(226.6)
Realized gain from Contract Buyout	-	98,679	N/A
Unrealized loss from changes in fair value	(1,747,551)	(1,718,761)	(1.7)
Realized loss from investments written off	-	(1,840,936)	N/A
Interest income on promissory notes	137,305	90,402	51.9
Fee income	6,218	-	N/A
Other interest income	21,777	17,039	27.8
Total revenue	\$(1,222,621)	\$ (854,503)	(43.1)

Revenues were \$(1,222,621) for the three-month period ended September 30, 2017 compared to \$(854,503) for the three-month period ended September 30, 2016. Royalty payment income for the three-month period ended September 30, 2017 was \$1,049,836 representing a 46.3% decrease from the three-month period ended September 30, 2016. The decrease was due to royalty payment income of approximately \$810,000 for 7 investees recognized for the three-month period ended September 30, 2016 compared to no royalty payment income recognized for these same 7 investees during the three-month period ended September 30, 2017 because these investees have failed to pay royalties for at least three months. Revenues for the three-month period ended September 30, 2017 were negatively impacted by net non-cash items of \$2,427,367 compared to \$3,014,279 for the three-month period ended September 30, 2016. This non-cash amount of \$2,427,367 was made up of \$1,382,619 of an unrealized loss in writing-down the fair value of royalty agreements acquired and promissory notes receivable, \$364,932 for the unrealized loss in the change in the fair value of the shares held in Lattice Biologics Ltd. and \$679,816 for unrealized foreign exchange loss. Of the \$679,816 unrealized foreign exchange loss, approximately \$500,000 reversed during the month of October 2017 due to the United States dollar strengthening from \$1.2480 to \$1.2893 against the Canadian dollar.

For the three-month period ended September 30, 2017, other interest income was made up of interest earned of \$21,777 compared to interest earned of \$17,039 for the three-month period ended September 30, 2016. The interest earned of \$21,777 for the three-month period ended September 30, 2017 was on short-term investments of available cash. The interest earned of \$17,039 for the three-month period ended September 30, 2016 was on available cash following Contract Buyouts closing at the end of 2015. The fee income of \$6,218 for the three-month period ended September 30, 2017 related to license income earned on the joint venture agreements with each of Foregrowth and Darwin.

Nine months ended September 30, 2017

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Growth %
Royalty payment income	\$ 3,408,598	\$ 6,429,898	(47.0)
Realized/Unrealized foreign exchange loss	(1,903,384)	(2,181,673)	12.8
Realized gain from Contract Buyout	3,000,000	98,679	2940.2
Unrealized loss from changes in fair value	(5,090,591)	(5,249,072)	3.0
Realized loss from investments written off	(7,294,269)	(1,840,936)	(296.2)
Unrealized gain from investment derecognized	922,284	-	N/A
Interest income on promissory notes	151,080	268,110	(43.7)
Fee income	13,860	-	N/A
Other interest income	60,261	77,796	(22.5)
Share of joint venture income, net of tax	(128)	-	N/A
Total revenue	\$(6,732,289)	\$(2,397,198)	(180.8)

Revenues were \$(6,732,288) for the nine-month period ended September 30, 2017 compared to \$(2,397,198) for the nine-month period ended September 30, 2016. Royalty payment income for the nine-month period ended September 30, 2017 was \$3,408,598 representing a 47.0% decrease from the nine-month period ended September 30, 2016. The decrease was due to royalty payment income of approximately \$2,900,000 for 10 investees recognized for the nine-month period ended September 30, 2016 compared to no royalty payment income recognized for these same 10 investees during the nine-month period ended September 30, 2017 because these investees have failed to pay royalties for at least three months. There was \$3,000,000 of a realized gain on Contract Buyouts recognized for the nine-month period ended September 30, 2017 because of the buyout of the Aquam investment during the period compared to a gain of \$98,679 for the nine-months period ended September 30, 2016. As the \$3,000,000 gain was recognized in previous reporting periods as part of the unrealized gain or loss in the change in fair values, \$3,000,000 of the \$5,090,591 relates to the reversal of this gain meaning there was no impact on total revenues. Revenues for the nine-month period ended September 30, 2017 were negatively impacted by net non-cash items of \$10,365,960 compared to \$9,173,002 for the nine-month period ended September 30, 2016. This non-cash amount of \$10,365,960 was made up of \$6,460,186 of an unrealized loss in writing-down the fair value of royalty agreements acquired and promissory notes receivable, \$2,002,390 for the unrealized loss in the change in the fair value of the shares held in Lattice Biologics Ltd., and the balance of \$1,903,384 for unrealized foreign exchange loss. Of the \$1,903,384 unrealized foreign exchange loss, approximately \$500,000 reversed during the month of October 2017 due to the United States dollar strengthening from \$1.2480 to \$1.2893 against the Canadian dollar.

For the nine-month period ended September 30, 2017, other interest income was made up of interest earned of \$60,261 compared to interest earned of \$77,796 for the nine-month period ended September 30, 2016. The interest earned of \$60,261 for the nine-month period ended September 30, 2017 was on short-term investments of available cash. The interest earned of \$77,796 for the nine-month period ended September 30, 2016 was on available cash following Contract Buyouts closing at the end of 2015. The fee income of \$13,860 for the nine-month period ended September 30, 2017 related to license income earned on the joint venture agreements with each of Foregrowth and Darwin.

Operating expense analysis

Total operating expenses were \$712,934 and \$2,767,034 for the three-month and nine-month periods ended September 30, 2017 compared to \$875,861 and \$3,590,665 for the three-month and nine-month periods ended September 30, 2016. Operating expenses for the three-month period ended September 30, 2017 were \$162,927 lower than the three-month period ended September 30, 2016 due to lower expenses across all categories for the three-month period ended September 30, 2017 compared to the three-month period ended September 30, 2016 reflecting the impact of management's initiatives to reduce staffing costs, travel and professional fees. Operating expenses for the nine-month period ended September 30, 2017 were \$823,631 lower than the nine-month period ended September 30, 2016 because of (i) a \$675,000 contract payment made to the former Chief Executive Officer in April 2016, (ii) \$125,667 of lower salaries due to a temporary voluntary salary reductions of the management team and 2 fewer employees, (iii) lower professional fees of \$293,965 and (iv) office and general administrative expenses of \$176,293 offset by a harmonized sales tax ("HST") expense of \$400,000 recognized during the three-month period ended March 31, 2017 for overclaimed HST.

Salaries, benefits, and other staffing costs were \$319,901 for the three-month period ended September 30, 2017, compared to \$343,006 for the three-month period ended September 30, 2016. Salaries, benefits, and other staffing costs were lower for the three-month period ended September 30, 2017 because of the \$26,188 lower salaries due to temporary voluntary salary reductions of the management team and 2 fewer employees. Salaries, benefits, and other staffing costs were \$1,014,283 for the nine-month period ended September 30, 2017, compared to \$1,872,158 for the nine-month period ended September 30, 2016. Salaries, benefits, and other staffing costs were \$857,875 lower for the nine-month period ended September 30, 2017 because of the \$675,000 contract payment made to the former Chief Executive Officer during the three-month period ended June 30, 2016 and savings of approximately \$125,667 arising from temporary voluntary salary reductions by management and the company operating with 2 fewer employees than for the nine-month period ended September 30, 2016.

Management and facility fees were \$41,640 and \$121,039 for the three-month and nine-month periods ended September 30, 2017 respectively compared to \$38,724 and \$115,964 respectively for the three-month and nine-month periods ended September 30, 2016. This expense for both reporting periods relates to the Company's offices in Toronto. Share-based compensation was \$67,309 and \$225,069 for the three-month and nine-month periods ended September 30, 2017 respectively compared to \$93,591 and \$208,280 for the three-month and nine-month periods ended September 30, 2016 respectively. The increase in the share-based compensation expense of \$16,789 for the nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016 was a result of 2,325,000 new options granted in November 2016.

Professional fees were \$183,331 for the three-month period ended September 30, 2017 compared to \$280,824 for the three-month period ended September 30, 2016. Professional fees were lower for the three-month period ended September 30, 2017 because of higher expenses in the three-month period ended September 30, 2016 for investor relations and communications expenses totaling \$17,149 and \$56,459 due to lower legal and other professional service activities during the three-month period ended September 30, 2017. Professional fees were \$1,090,468 for the nine-month period ended September 30, 2017 compared to \$980,106 for the nine-month period ended September 30, 2016. Included in the \$1,090,468 is the HST expense of \$400,000 for overclaimed HST referred to previously and this higher expense was offset by higher expenses in the nine-month period ended September 30, 2016 for investor relations and communications expenses totaling \$89,776, executive compensation review expense of \$15,569, \$59,428 for new website cost and consultancy expense of \$83,558 for the IFRS 9 conversion and portfolio fair value valuation reports.

Office and general administrative expenses were \$100,753 and \$316,175 for the three-month and nine-month periods ended September 30, 2017 respectively compared to \$119,716 and \$414,157 for the three-month and nine-month periods ended September 30, 2016 respectively with the lower cost for the three-month and nine-month periods ended September 30, 2017 reflecting the impact of management's initiatives to reduce travel, office and other administrative related expenses.

Free cash flow

Free Cash Flow⁽¹⁾ was \$166,068 and \$3,737,244 for the three-month and nine-month period ended September 30, 2017 respectively compared to \$163,992 and \$(97,540) for the three-month and nine-month period ended September 30, 2016. Free Cash Flow⁽¹⁾ for the nine-month period ended September 30, 2017 was higher due to the buyout of the Aquam investment in April 2017 that generated \$3,532,859 in Free Cash Flow⁽¹⁾.

Analysis for further items included in the Results of Operations

Financing expenses relating to the convertible debentures issued in July 2014 were \$438,467 and \$1,316,934 for the three-month and nine-month periods ended September 30, 2017 respectively compared to \$424,714 and \$1,284,020 for the three-month and nine-month periods ended September 30, 2016 respectively. There was no significant variance in the amounts recognized as the convertible debenture principal has not changed since July 2014.

EBITDA (Loss)⁽¹⁾ was \$(1,926,154) and \$(9,471,370) for the three-month and nine-month periods ended September 30, 2017 compared to EBITDA (Loss)⁽¹⁾ of \$(1,720,599) and \$(5,957,958) for the three-month and nine-month periods ended September 30, 2016. The higher EBITDA (Loss)⁽¹⁾ for the three-month period ended September 30, 2017 was due to the \$364,932 unrealized loss on the fair value of the equity securities offset by lower operating costs of \$162,927 for the three-month period ended September 30, 2017 compared to the three-month period ended September 30, 2016. The higher EBITDA (Loss)⁽¹⁾ of \$(3,513,412) for the nine-month period ended September 30, 2017 was due to \$3,021,300 lower royalty payment income, \$2,002,390 unrealized loss on the fair value of the equity securities offset by lower operating costs of \$823,631 for the nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016.

Adjusted EBITDA⁽¹⁾ was \$555,774 and \$4,084,759 for the three-month and nine-month periods ended September 30, 2017 respectively, compared to an Adjusted EBITDA⁽¹⁾ of \$1,376,396 and \$3,470,664 for the three-month and nine-month periods ended September 30, 2016. The decrease of \$820,622 in Adjusted EBITDA⁽¹⁾ for the three-month period ended September 30, 2017 was due to royalty payment income of approximately \$810,000 for 7 investees recognized for the three-month period ended September 30, 2016 compared to no royalty payment income recognized for these same 7 investees during the three-month period ended September 30, 2016 because these investees have failed to pay royalties for at least three months. Adjusted EBITDA⁽¹⁾ has increased by \$614,095 for the nine-month period ended September 30, 2017 because of the \$3,000,000 realized

gain on the Aquam buyout, lower operating expenses (excluding depreciation and share-based compensation) of \$858,242 offset by lower royalty payment income of \$3,021,400 for the nine-month period ended September 30, 2017.

Income taxes were \$(610,954) and \$(2,804,697) for the three-month and nine-month periods ended September 30, 2017 respectively, compared to \$(464,235) and \$(1,757,016) for the three-month period and nine-month periods ended September 30, 2016 respectively. 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 \$(1,763,068) and \$(8,011,560) for the three-month and nine-month periods ended September 30, 2017 respectively, compared to a loss after taxes of \$(1,690,843) and \$(5,514,867) for the three-month and nine-month periods ended September 30, 2016 respectively. For the nine-month period ended September 30, 2017, the loss after taxes is higher by \$2,496,693 because of an increase of \$5,453,333 in the realized loss from investments written-off, lower royalty payment income of \$3,021,400 offset by a higher unrealized gain of \$922,284 from investments derecognized, \$3,000,000 of a realized gain on Contract Buyouts and lower operating expenses of \$823,631 during the nine-month period ended September 30, 2017.

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

PORTFOLIO UPDATE

Portfolio Performance Overview

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Number of company investments	39	31	39	31
Number of company investments in period	1	0	6	0
Number of contract buyouts since inception	6	5	6	5
Total capital deployed by the Company during the period	425,000	370,797	4,218,633	6,171,924
Total portfolio under management ⁽²⁾	69,793,687	63,345,327	69,793,687	63,345,327
Total capital deployed by the Company since inception	68,270,385	63,345,327	68,270,385	63,345,327
Cash returned from royalty payments and Contract Buyouts ⁽¹⁾ since inception	42,560,564	31,914,577	42,560,564	31,914,577
Cash returned from royalty payments and Contract Buyouts ⁽¹⁾ during the period	1,312,543	2,680,371	9,052,485	3,104,381
Cash returned as % of capital deployed	62%	51%	62%	51%
Weighted average royalty rate ⁽¹⁾	3.59%	4.26%	3.59%	4.26%

(1) Weighted average royalty rate and Cash returned from royalty payments and Contract Buyouts are non-IFRS measures. Refer to section Definition of Non-IFRS Measures for further explanation and definitions.

(2) Includes both the capital deployed by the Company and the amounts invested by the joint venture partners when participating in an investment.

For the nine-month period ended September 30, 2017, the Company deployed capital of \$4,218,633 made up of \$3,953,740 in closing six new company investments and \$264,893 for two follow-on investments. Our joint venture partners deployed \$650,115 in three of the new company investments and participated fully in the follow-on investment with Factor 75, LLC. The pipeline for new company investments continues to be strong with 755 investment prospects reviewed by the Company during the nine-month period ended September 30, 2017 and 340 prospects during the three-month period ended September 30, 2017.

On April 18, 2017, the \$2,000,000 Aquam investment was bought-out for \$5,000,000. Grenville's total return since the investment was made in June 2014, was \$7,527,821 representing a 3.76x cash on cash return and represents the Company's most successful Contract Buyout to date. Of the \$9,052,485 cash returned from royalty payments and Contract Buyouts⁽¹⁾ during the nine-month period ended September 30, 2017, \$5,532,859 was generated from this Contract Buyout. Excluding royalty payments, the Company has received \$18,826,045 from Contract Buyouts to date and still remains the most competitive low-cost form of capital for growth. Several investees in the portfolio have indicated interest in a Contract Buyout that may crystalize. The Company believes that the potential gross amount that could be received from these Contract Buyouts is up to at least \$4.0 million based on the discussions with the specific investees. While the Company remains confident that these Contract Buyouts will take place, there is less certainty on the timing of when these Contract Buyouts will close.

On April 24, 2017, the Company entered into an agreement with Lattice Biologics Ltd. ("Lattice") to terminate the US\$3 million royalty agreement and extinguish US\$700,000 of overdue royalty payments in exchange for 18,246,000 common shares of Lattice at an issue price of \$0.20 per share plus a replacement US\$1 million royalty agreement with a royalty rate of 1.25% payable

quarterly as and when free cash flow is greater than US\$100,000 for a quarter. There are outstanding convertible promissory notes issued by Lattice to Grenville of US\$950,000 of which USD\$700,000 is secured (the "Secured Note"). The Secured Note was amended to extend the maturity date until April 24, 2022 and to change the interest rate from 12.5% per annum to 4.244% per annum. Accrued interest owing of US\$28,904 of the remaining US\$250,000 of promissory notes and US\$69,512 of overdue royalty payments were forgiven and written-off. Following regulatory approval received on June 8, 2017, the 18,246,600 shares were issued to the Company on June 12, 2017. Following the issue, Grenville own 19.68% of the outstanding and issued shares of Lattice. As Lattice's shares are listed and the shares are traded actively, the 18,246,000 common shares were valued as of September 30, 2017 based on the quoted closing share price of \$0.10. The impact of this transaction and the valuation of the shares at September 30, 2017 on the results for the nine-month period ended September 30, 2017 was as follows:

	\$
Unrealized loss in the change in fair value of the common shares	(1,797,390)
Unrealized loss in the change in the fair value of the remaining royalty investment	(49,559)
Unrealized gain on extinguishing US\$700,000 outstanding royalty payments in exchange for shares	922,284
Realized loss on the forgiveness of US\$69,512 of outstanding royalty payments	<u>(93,250)</u>
Total loss recognized in the results for the nine-month period ended September 30, 2017	<u>(1,017,915)</u>

Grenville will not have a representative on the board of directors nor will it participate in the management of Lattice. Management believes that transitioning the investment in Lattice to a blend of equity, royalty and debt provides the best opportunity for positive financial returns in the future due to increased liquidity.

During the three-month period ended June 30, 2017 and during July 2017, there was a significant restructuring in WatchIt! involving both the restructuring of the organization and the liabilities. From the Company's perspective, this meant the assignment of the \$1 million secured royalty agreement to the restructured entity, \$2 million of the unsecured royalty investment and outstanding royalty payments remaining in the old operating entity and the Company subscribing for 402,500 common shares in the restructured entity at an issue price of \$0.01. The impact of the restructuring on the results for the nine-month period ended September 30, 2017 was as follows:

	\$
Unrealized gain in the change in the fair value of the royalty investment	1,451,651
Realized loss on the \$2,000,000 unsecured royalty investment written off	(2,000,000)
Realized loss on outstanding royalty payments written-off	(56,419)
Change in fair value of 205,000 preferred shares received in exchange for consideration of \$205,000 of outstanding royalty payments	<u>(205,000)</u>
Total loss recognized in the results for the nine-month period ended September 30, 2017	<u>(809,768)</u>

The purpose of participating in the restructuring was based on the belief of management that it allowed a better opportunity for positive financial returns in the future due to a more manageable debt level in WatchIt!, resulting in a higher probability of receiving a royalty and monetizing the equity investment at a future date.

During the nine-month period ended September 30, 2017, BG Furniture Inc. ("BG") and PFO Global Inc. ("PFO") were written-off resulting in a realized loss of \$(5,144,600). 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 during Q4 2017 and Grenville has written-off the investment in the three-month period ended March 31, 2017 as a small recovery is expected from Grenville's security interest. On January 31, 2017, PFO petitioned the court seeking protection from creditors under Chapter 11 of Title 11 of the United States Code. Given that a very small recovery, if any, is expected for unsecured creditors and Grenville decided to write-off the full amount of the PFO investment and outstanding royalty payments in the three-month period ended March 31, 2017.

During the three-month period ended September 30, 2017, there was a loss of \$(1,747,551) recognized for changes in fair value. Of the \$(1,747,551), \$(1,382,619) related to increasing the unrealized loss on four royalty agreement investments and increasing the unrealized gain of one investment. The balance of \$(364,932) related to the shares held in Lattice Biologics. Of the four royalty investments written-down, only one investment was not previously written-down in previous reporting periods.

During the nine-month period ended September 30, 2017, there was a loss of \$(8,462,576) recognized for changes in fair value. Of the \$(8,462,576), \$(6,460,186) related to increasing the unrealized loss on seven royalty agreement investments and \$(2,002,390) related to the shares held in Lattice Biologics. The value of six of the seven investments were previously written-down in previous reporting periods.

Portfolio Activity

The following was the activity with respect to the portfolio since January 1, 2017:

Humble Abode, Inc. ("Humble Abode"): On February 15, 2017, an investment of a further US\$75,000 was made into Humble Abode, an ecommerce furniture distributor, in the form of a secured convertible term royalty purchase agreement. The purpose of the investment was for working capital purposes.

Factor75, LLC ("Factor75"): Factor75, an online, subscription-based, personalized chef service, exercised their option to increase the investment by US\$250,000 and on April 12, 2017, the Company invested a further US\$125,000 with the joint venture partners, Foregrowth and Darwin, investing the balance. The funds will be used for working capital required to fund growth.

MedWorx LLC ("Medworxs"): MedWorx is a privately-held, Denver-based company that provides inpatient and ambulatory software solutions to healthcare facilities through its proprietary cloud-based, software-as-a-service platform. On April 13, 2017, the Company completed a US\$150,000 royalty investment in Medworxs and the joint venture partners, Foregrowth and Darwin, invested alongside Grenville, for a total commitment of US\$300,000.

Aquam Corporation ("Aquam"): On April 18, 2017, there was a Contract Buyout of the \$2,000,000 investment in Aquam for \$5,000,000 resulting in a total cash return of \$7,527,821.

Lattice Biologics Ltd. ("Lattice"): On April 24, 2017, Grenville entered an agreement to restructure the US\$3,000,000 royalty investment and US\$769,512 of overdue royalty payments and in exchange Grenville was allocated 18,246,000 common shares of Lattice at an issue price of \$0.20 per share, subject to the approval of the TSX Venture Exchange, together with a replacement US\$1 million royalty agreement with a royalty rate of 1.25% payable quarterly as and when free cash flow is greater than US\$100,000 for a quarter. The US\$700,000 convertible secured promissory note was amended to extend the maturity date until April 24, 2022 and to change the interest rate from 12.5% per annum to 4.244% per annum. The accrued interest of \$28,904 on the US\$250,000 unsecured note was forgiven by Grenville. Approval was granted by the TSX Venture Exchange on June 8, 2017 and the 18,246,000 common shares were issued on June 12, 2017 which represented 19.68% of the outstanding and issued shares of Lattice at that date.

Fixt Wireless Inc. ("Fixt"): Fixt is a Toronto-based B2B and B2C wireless device repair service provider, set-up by a team of industry veterans to lead a multi-billion-dollar market that is relevant to 90% of the Canadian population. On April 25, 2017, Grenville invested \$125,000 in Fixt together with the joint venture partners, Foregrowth and Darwin, who each invested \$67,500. The funds will be used for growth.

ConnectAndSell, Inc. ("ConnectAndSell"): ConnectAndSell, a Silicon Valley-based corporation established in 2007, has developed the world's most advanced on-demand sales-acceleration platform. On May 9, 2017, the Company invested US\$1,500,000 in ConnectAndSell and the investment is secured under a general security agreement. The funds will be used for growth capital.

Kare Intellex Inc. ("Kare"): Kare is a technology company based in Ohio with a proprietary SaaS solution for homecare scheduling, record keeping, communications and billing. Kare acquired a highly-rated well-established homecare provider for which part of the US\$350,000 investment from Grenville was used for with the balance of the proceeds used to meet working capital needs.

Frequentz, Inc. ("Frequentz"): Frequentz based in Palo Alto, California is a technology company providing serialized data, supply chain traceability and information management software solutions to major food and life sciences companies. Frequentz' primary offering, their Information Repository & Intelligence Server tracks, traces, serializes, verifies, captures, stores, and analyses product event data, at the unit or lot level, as the product moves through the supply chain. On June 21, 2017, the Company invested US\$500,000 in Frequentz and the investment is secured under a general security agreement. The funds will be used for working capital needs.

Hybrid Financial Ltd. ("Hybrid"): Hybrid is a Toronto-based financial sales company specializing in investment products and corporate sales, distribution, and investor relations. Hybrid was founded in 2011 by Steve Marshall and Alexandre Coté, who formerly were with OpenSky Capital. Hybrid has become one of the leading financial sales and investor relations firms in Toronto. Hybrid operate an automated sales and marketing platform to publicly listed corporations, investment managers and issuers seeking to find a more efficient and cost-effective means of generating sales through the retail broker/dealer networks. On August 4, 2017, the Company invested \$425,000 in Hybrid together with the joint venture partners, Foregrowth and Darwin, for a total investment of \$725,000. The funds will be used for growth and working capital.

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 during Q4 2017. The investment was written-off during the three-month period ended March 31, 2017.

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\$1,750,000, promissory note balance of US\$163,721 and outstanding royalty payments of US\$613,397 were fully written-off during the three-month period ended March 31, 2017.

WatchIt! Inc. ("WatchIt!"); During the nine-month period ended September 30, 2017, there were two restructuring transactions involving the Company's investment in WatchIt!. On April 17, 2017, the Company signed an amending letter where \$189,104.76 of outstanding royalty payments were forgiven and extinguished and secondly, the Company received 205,000 Class "B" convertible preferred shares of Comfortable Imaging Inc. in exchange for the forgiveness and extinguishment of \$205,000 overdue royalty payments. On June 7, 2017, WatchIt! filed an application for an order that allowed WatchIt! to implement Sale and Investment Solicitation Procedures which were finalized in July 2017. This resulted in a new entity, WatchIt! Consolidated Ltd. taking over the business, certain assets and certain liabilities. On July 14, 2017, the Company entered into an Assignment and Assumption agreement with WatchIt! and WatchIt! Consolidated Ltd. where the \$1 million secured royalty agreement was assumed by WatchIt! Consolidated Ltd. on the same terms and conditions. The remaining \$2 million unsecured royalty investment remains in WatchIt!. Since April 1, 2017, the Company has subscribed for 102,500 shares in Inner Spirit Holdings Ltd and 302,500 shares in WatchIt! Consolidated Ltd. both at an issue price of \$0.01. In July 2017, Inner Spirit Holding Ltd purchased all shares of WatchIt! Consolidated Ltd. in exchange for shares in Inner Spirit Holding Ltd and following an amalgamation the Company has received new shares. This means that as of November 21, 2017, the Company holds 4,455,000 common shares in Inner Spirit Holdings Ltd.

Contract Buyouts

Since the first Contract Buyout in July 22, 2015, the Company has closed six Contract Buyouts. For the completed Contract Buyouts, the table below discloses: (a) the date of the Contract Buyout; (b) the aggregate investment; (c) the gross amount and the net amount received; (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 as follows:

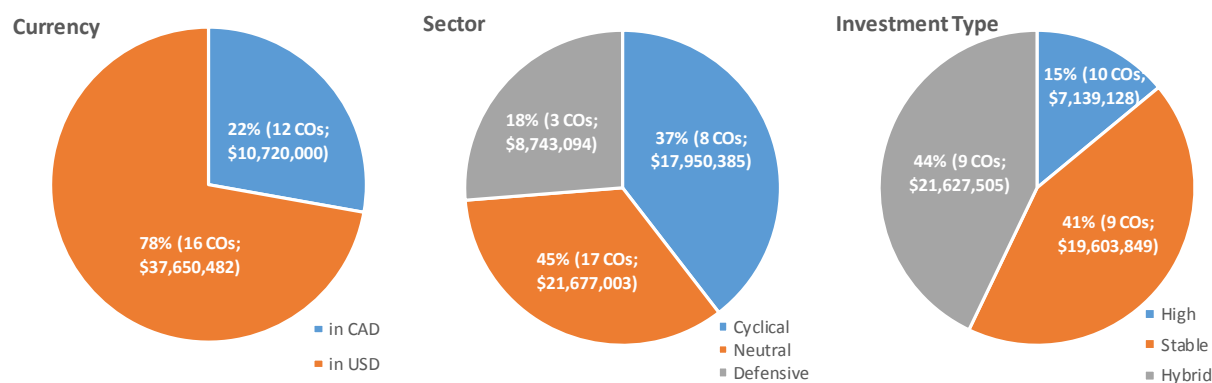
Investee Company	Date of Contract Buyout	Aggregate Investment Amount	Gross Amount Received	Net Amount Received	Gains realized on Contract Buyout	Cumulative cash generated over the life of the investment	Cum. Cash / investment amount
Wmode	July 23, 2015	\$1,000,000	\$2,783,010	\$2,783,010	\$1,783,010	\$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)	\$2,247,158	\$2,247,158	\$(11,089) ⁽¹⁾	\$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 ⁽¹⁾	\$1,855,519	1.70
Aquam Corporation	April 18, 2017	\$2,000,000	\$5,000,000	\$5,000,000	\$3,000,000	\$7,527,821	3.76
Total		\$10,227,215	\$18,862,045	\$18,562,045	\$8,237,283	\$23,357,065	2.28

(1) These amounts include foreign exchange gains of \$422,898 and \$264,285 respectively realized when the royalty agreement was bought out.

In addition, the Pliteq investment was fully repaid on August 31, 2016. The investment generated cash of \$500,000 since the start of the investment, 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.

Diversification Analysis

As of November 21, 2017, there are 28 investments (net of 4 write-offs, 6 Contract Buyouts and 1 fully redeemed) and 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	8	28.6%	17	60.7%	3	10.7%	28	100.0%
Canadian Investments	\$ 8,135,000	45.3%	\$ 2,585,000	11.9%	\$ -	0.0%	\$ 10,720,000	22.2%
US Investments	\$ 9,815,385	54.7%	\$ 19,092,003	88.1%	\$ 8,743,094	100.0%	\$ 37,650,482	77.8%
Sector Total	\$ 17,950,385		\$ 21,677,003		\$ 8,743,094		\$ 48,370,482	
Sector %	37%		45%		18%			

Excluded from the investment information above is 4 investments written-off, 6 investments that have been bought-out and 1 (Pliteq) fully redeemed.

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 28 investments (net of 4 write-offs, 6 Contract Buyouts and 1 fully redeemed) as of November 21, 2017 management believes the current level of diversification is consistent with our internal business plan. As part of the diversification strategy, the Company entered two separate joint ventures in October 2016. The first was with Foregrowth Holdco Inc., a wholly-owned subsidiary of Gravitas Ilium Corporation, under a new company called Foregrowth and the second was with Darwin. 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. During 2016, Grenville materially refocused investment criteria to favor companies with higher growth, measurable recurring or predictable revenue and the capability to raise capital from other investors. This refocus somewhat correlates with more technology-driven businesses, although opportunities for high returns occur in the wide range of industries covered by the Company's diversification strategy.

Past due

As of September 30, 2017, 18 of the 28 outstanding investments are paying a royalty compared to 18 of the 27 outstanding investments as of June 30, 2017.

The following table shows the actual outstanding royalty payment past due at the end of each period:

	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016
Past due					
- 30 days or less	\$ 14,690	\$ 19,792	\$ 89,473	\$ 107,831	\$ 126,589
- 31 to 60 days	-	-	113,597	87,108	193,746
- 61 to 90 days	-	-	56,029	476,395	59,546
- Over 91 days	26,832	83,702	379,266	423,552	124,467
Total	\$ 41,522	\$ 103,494	\$ 638,365	\$ 1,094,886	\$ 504,348

In relation to the table:

- During the three-month period ended June 30, 2017, \$468,085 of the balance of \$638,365 for March 31, 2017, was received as part of the Contract Buyout of the Aquam investment. Grenville had agreed to defer the payment of royalty payments as part of supporting Aquam in closing a financing which resulted in the Contract Buyout;
- Since October 1, 2017, \$14,690 in the 30 days or less category was collected;
- During 2017, the Company agreed with one investee company to defer US\$15,000 of the monthly royalty payment starting from March 2017 and ending in December 2017. The royalty deferred is not considered as past due. As of September 30,

2017, the royalty deferred totaled \$141,540. The purpose of deferring the royalty payment is to support the investee company in attracting further financing;

- During the nine-month period ended September 30, 2017, \$959,634 respectively were written-off relating to outstanding royalty payments. \$809,965 of the \$959,634 was part of the investments in BG Furniture and PFO written-off during the three-month period ended March 31, 2017. Of the \$149,699 recognized in the three-month period ended June 30, 2017, \$93,250 related to outstanding royalty payments from Lattice Biologics Inc. extinguished for no consideration as part of the conversion of US\$2 million royalty investment into common shares in June 2017 and the balance of \$56,419 was for WatchIt and the royalty payments written-off in April 2017 as part of a restructuring of the payments under the investments;
- During the nine-month period ended September 30, 2017, the Company reduced respectively the fair value of \$545,412 of outstanding royalty payments to zero. Most of the outstanding royalty payments were more than 180 days past due. The loss of \$545,412 was included in the unrealized loss in change in fair values under revenues. There was no fair value write-down on any outstanding royalty payments during the three-month period ended September 30, 2017; and
- As of September 30, 2017, there were \$795,618 of outstanding royalty payments where no fair value amount was recognized compared to \$1,515,285 as at December 31, 2016. As the fair value recognized was zero, none of the amounts were considered past due and included in the table above.

\$14,690 of the \$1,187,141 royalty payment income for the three-month period ended September 30, 2017 related to a royalty payment that was more than 30 days past due. Of the \$3,559,678 royalty payment income for the nine-month period ended September 30, 2017, \$41,522 was for an amount that was more than 30 days past due.

OUTLOOK

As of November 21, 2017, the Company has invested just over \$68 million of capital in 39 portfolio companies, earned Adjusted EBITDA⁽¹⁾ of \$20.1 million since inception in July 2013 and has generated Free Cash Flow⁽¹⁾ of \$11.8 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⁽¹⁾. Contract Buyouts will continue to form a meaningful part of the Company's annual revenue stream and Free Cash Flow⁽¹⁾. The capital returned from Contract Buyouts represents Grenville's most cost-effective 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⁽¹⁾ and Adjusted EBITDA⁽¹⁾.

Grenville's royalty agreements with its portfolio companies generated Adjusted EBITDA⁽¹⁾ to the Company of approximately \$0.6 million for the three-month period ended September 30, 2017. As of November 21, 2017, the Company estimates the royalty payment income and interest earned for October 2017 will be \$0.4 million and \$0.2 million of Adjusted EBITDA⁽¹⁾.

On April 18, 2017, the Company closed the Aquam Contract Buyout that resulted in \$5 million of available capital, \$3 million of a realized gain and Adjusted EBITDA⁽¹⁾ and \$3.5 million of Free Cash Flow⁽¹⁾. Based on information available as of November 21, 2017, management believes that there are more investments in the portfolio that represent Contract Buyout opportunities. The Company believes that the potential gross amount that could be received from these Contract Buyouts is up to \$4.0 million. The Company believes this would significantly increase Adjusted EBITDA⁽¹⁾ up to \$2.0 million and Free Cash Flow⁽¹⁾ up to \$1.4 million. While the Company remains confident that these Contract Buyout opportunities will crystallize, there is less certainty, based on experience, on the timing of when these Contract Buyouts will close.

Operating expenses (excluding share-based compensation and depreciation) for Q3 2017 were approximately \$0.22 million per month and are estimated to be in the range of \$2.4 million to \$3.0 million on an annualized basis in Q4 2017. The Company's cash position at November 21, 2017 is approximately \$8.4 million.

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.

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

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017	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
Royalty payment and interest income	\$ 1,187,141	\$ 1,038,897	\$ 1,333,640	\$ 1,573,171	\$ 2,044,058	\$ 2,072,520	\$ 2,581,429	\$ 2,481,828
Realized gains on Contract Buyouts	-	3,000,000	-	-	98,679	-	-	3,063,594
Non-cash foreign exchange and fair value changes	(2,437,756)	(5,985,378)	(4,792,835)	(7,237,004)*	(3,014,279)	(806,146)	(5,451,255)	(4,643,169)
Other income	27,994	29,063	16,937	32,112	17,039	24,198	36,559	62,545
Total revenue	\$ (1,222,621)	\$ (2,067,408)	\$ (3,442,258)	\$ (5,631,721)	\$ (854,503)	\$ 1,290,572	\$ (2,833,267)	\$ 964,798
Total loss for the period attributable to shareholders	(1,763,068)	(2,456,208)	(3,792,281)	(5,140,581)	(1,690,843)	(633,250)	(3,190,773)	(671,616)
Basic earnings / (loss) per share	(0.0166)	(0.0231)	(0.0357)	(0.0484)	(0.0159)	(0.0060)	(0.0306)	(0.0067)
Diluted earnings /(loss) per share	(0.0166)	(0.0231)	(0.0357)	(0.0484)	(0.0159)	(0.0060)	(0.0306)	(0.0067)

*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 nine underperforming investments at June 30, 2017 and the impact of permanently writing off four investments. During the three-month period ended September 30, 2017 there was a net amount of \$(1,747,551) relating to the change in fair value of royalty agreements acquired, promissory notes receivable and equity securities in investee companies that were written-down due to the deterioration in the financial condition of some investees during this period. There were no discontinued operations in any of the financial periods.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, the Company's capital resources were \$25,431,059, made up as follows:

106,317,656 common shares	\$ 50,261,640
Contributed surplus	944,116
Equity component of the convertible debentures	558,831
Accumulated Deficit	(26,333,528)

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 November 21, 2017	Amount yet to be used as of November 21, 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	-

The Company's cash position at September 30, 2017 was \$8,611,474 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 November 21, 2017 is approximately \$8.4 million and for the near future, growth will be financed through Free Cash Flow⁽¹⁾ generated from royalty payment income, capital from Contract Buyouts and co-investments with joint venture partners.

(1) Free Cash Flow is a non-IFRS measure. Refer to section Definition of Non-IFRS Measures for further explanation and definitions.

WORKING CAPITAL

Grenville's working capital at September 30, 2017 and December 31, 2016 was made up as follows:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 8,611,474	\$ 6,202,412
Promissory note receivable – current portion	624,000	2,015,378
Royalty agreement acquired – current portion	272,926	1,580,247
Prepaid expense and other receivable	182,395	98,477
Income tax recoverable	15,783	362,905
Accounts payable and accrued expenses	(967,111)	(255,531)
Finance lease liability – current portion	(3,471)	(3,189)
Total	\$ 8,735,996	\$ 10,000,699

The Company believes that it can meet all its obligations as they become due. A summary of the contractual and other obligations as at September 30, 2017 were:

Contractual obligation	Total	Less than 1 year	1-4 years	5 years
Accounts payable and accrued liabilities	\$ 967,111	\$ 967,111	\$ -	\$ -
Convertible debenture	17,250,000	-	17,250,000	-
Finance lease payments	8,184	4,092	4,092	-
Payments under an operating lease	538,553	87,333	349,332	101,888
Total	\$ 18,763,848	\$ 1,058,536	\$ 17,603,424	\$ 101,888

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 financial periods prior to January 1, 2015 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 September 30, 2017, the maximum credit exposure for the royalty agreements acquired and promissory notes receivable was \$23,645,250 (December 31, 2016: \$37,562,379). 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 September 30, 2017 was 27,174,124 United States dollars.

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 were 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 impact of the measurement of the royalty agreements acquired that was recognized in the total comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2017 were \$3,000,000 realized gains from contract buyouts, \$922,284 of unrealized gain from investments derecognized, a loss of zero and \$7,294,269 respectively for realized loss from investments written-off and a loss of \$1,382,619 and \$3,088,201 respectively from changes in fair value. Aggregating all these amounts means a loss was recorded in total comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2017 of \$1,382,619 and \$6,460,186 respectively.

On June 12, 2017, the Company closed a transaction with Lattice Biologics Inc. (Lattice") whereby the Company obtained 18,246,000 common shares at a price of \$0.20 in exchange for the extinguishment of US\$2,000,000 of Grenville's original royalty investment and US\$700,000 of overdue royalty payments. As the common share of Lattice is listed on the Toronto Stock Venture Exchange and is traded actively, the fair value of the shares held was determined by reference to the closing share price as at September 30, 2017. Based on the closing price at September 30, 2017, there was an unrealized loss of \$2,002,390 from the change in fair value.

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 convertible debentures balances at September 30, 2017 and December 31, 2016 was based on the listed price of the security at that date less a calculated price for the convertible option using a Black Scholes model.

The Company does not hold any financial derivatives at September 30, 2017 or at any time during the three-month and nine-month periods ended September 30, 2017 either for hedging or speculative purposes.

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2017, Grenville had no commitments for material capital expenditures, no contingencies, and no off-balance sheet arrangements.

As at June 30, 2017, the only material contractual obligations were the convertible debentures (see Liquidity and Capital Resources). On July 12, 2017, the Company signed a sublease agreement for new office space situated in Toronto. The Company occupied the space at the end of October 2017. The sublease is for a term of six years and 2 months commencing October 1, 2017 but the sub landlord has the option to terminate the lease as of November 30, 2020. Based on the current rent, the annual commitment under the sublease is \$87,333.

TRANSACTIONS BETWEEN RELATED PARTIES

Compensation of key management personnel

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Short-term employee benefits	\$ 221,517	\$ 222,426	\$ 686,936	\$ 792,921
Share-based compensation	63,527	67,556	194,166	126,059
Contract payment	67,966	61,371	205,035	102,829
Consultancy fees	-	-	-	675,000
Total	\$ 353,010	\$ 351,353	\$ 1,086,137	\$ 1,696,809

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 on 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. Because 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 may adopt the new standard for any new leases entered into.

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 November 21, 2017, there were issued and outstanding: (a) 106,317,656 Common Shares; (b) 8,201,007 options under the company's stock option plan to acquire 8,201,007 common shares, at a weighted average exercise price of \$0.4859; 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 as exhaustive and may not represent all 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 significant 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.

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.

Equity Risk

Equity risk is the potential for financial loss on shares held by the Company from declines or volatility in equity market prices. The Company's equity risk relates to the shareholding held by the Company in Lattice Biologics. Accordingly, the Company have further exposure to equity risk as adverse fluctuations in the market value of such assets will result in corresponding adverse impacts on our revenue and profits.

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 to 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 to 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 ratably 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 to 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 its 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 November 21, 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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Loss before income taxes	\$ (2,374,022)	\$ (2,155,078)	\$ (10,816,257)	\$ (7,271,883)
Depreciation	9,401	9,765	27,953	29,905
Financing expense	438,467	424,714	1,316,934	1,284,020
EBITDA Loss	(1,926,154)	(1,720,599)	(9,471,370)	(5,957,958)
Adjustments:				
Unrealized foreign exchange (gain)/loss on carrying amount of Royalty Agreements Acquired	667,068	(556,293)	1,868,484	2,130,334
Unrealized loss on change in fair value of Royalty Agreements Acquired and Promissory Notes Receivable	1,382,619	1,718,761	2,165,917	5,249,072
Unrealized loss on change in fair value of Equity Securities in Investee Companies	364,932	-	2,002,390	-
Realized loss from investment write-off	-	1,840,936	7,294,269	1,840,936
Share-based payment expense	67,309	93,591	225,069	208,280
Adjusted EBITDA	\$ 555,774	\$ 1,376,396	\$ 4,084,759	\$ 3,470,664

Free Cash Flow refers to the amount of cash generated from operating activities that is available to the Company. "Free Cash Flow" is calculated by deducting from net cash flows generated by or 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 and new investments in equity securities in investee companies 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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net cash generated by (used in) operating activities	\$ 647,225	\$ 1,609,618	\$ 3,121,738	\$ (5,895,932)
Royalty agreements acquired – new investments	425,000	370,797	4,218,633	6,171,924
Royalty agreements acquired – redemptions and buyouts	(31,000)	(1,305,724)	(2,225,055)	(1,303,472)
Equity securities in investee companies – new investments	3,025	-	4,050	-
Debenture interest paid	-	-	(690,000)	(690,000)
Interest payable – movement in period	(345,000)	(341,219)	(345,000)	(341,219)
Income tax recoverable / payable - movement in period	(533,182)	(169,480)	(347,122)	1,961,159
Free Cash Flow	\$ 166,068	\$ 163,992	\$ 3,737,244	\$ (97,540)

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. Management uses this 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.

Cash returned from royalty payments and Contract Buyouts represents the actual cash received under all royalty agreements and promissory notes through royalty payment income, interest income on the promissory notes, realized gains on Contract Buyouts, principal payments and redemptions on the promissory notes and capital returned from Contract Buyouts and Contract Buydowns. The following table reconciles the Cash returned from royalty payments and Contract Buyouts as of September 30, 2017 and September 30, 2016 respectively to IFRS measures reported in the financial statements for the periods:

Description	Total cash returned from royalty payments and Contract Buyouts since inception	Nine months ended September 30 2017	Year ended December 31 2016	Year ended December 31 2015	Year ended December 31 2014	Period ended December 31 2013
Royalty payment income	22,368,357	3,408,598	8,003,067	8,274,301	2,655,090	27,301
Interest income on promissory notes	652,859	151,080	268,110	170,945	38,072	24,651
Realized gain on contract buyouts	7,550,099	3,000,000	-	4,550,099	-	-
Principal payments on promissory notes	324,238	-	98,680	111,352	114,206	-
Redemptions on promissory notes	1,210,376	-	50,000	1,160,376	-	-
Capital returned from Contract Buyouts	10,759,594	2,000,000	-	8,759,594	-	-
Capital returned from Contract Buydowns	1,542,055	225,055	1,317,000	-	-	-
Royalty and interest added and recognized in investment balance	(292,838)	-	-	(100,760)	19,581	-
Foreign exchange realized gains on Contract Buyouts	710,139	-	-	710,139	-	-
Royalty earned and converted to equity	(205,000)	(205,000)	-	-	-	-
Accounts receivable written-off	(959,634)	(959,634)	-	-	-	-
Accounts receivable balance	(272,926)	(272,926)	-	-	-	-
Fair value of accounts receivable written down	(826,755)	(826,755)	-	-	-	-
Total	42,560,564					

Description	Total cash returned from royalty payments and Contract Buyouts since inception	Nine months ended September 30 2016	Year ended December 31 2015	Year ended December 31 2014	Period ended December 31 2013
Royalty payment income	17,386,590	6,429,898	8,274,301	2,655,090	27,301
Interest income on promissory notes	501,778	268,110	170,945	38,072	24,651
Realized gain on contract buyouts	4,550,099	-	4,550,099	-	-
Principal payments on promissory notes	315,088	89,530	111,352	114,206	-
Redemptions on promissory notes	1,212,622	52,246	1,160,376		
Capital returned from Contract Buyouts	8,759,594	-	8,759,594	-	-
Capital returned from Contract Buydowns	1,311,700	1,311,700	-	-	-
Royalty and interest added and recognized in investment balance	(236,695)	(155,516)	(100,760)	19,581	
Foreign exchange realized gains and (losses)	710,139	-	710,139		
Accounts receivable balance	(1,364,634)	(1,364,634)			
Fair value of accounts receivable written down	(1,231,704)	(1,231,704)			
Total	31,914,577				