

## Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd.) ("Grenville", the "Company", "our" or "we") is for the three months and nine months ended September 30, 2014. The information in this MD&A is current as of November 3, 2014 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three months ended September 30, 2014, the 2013 annual MD&A and the audited annual financial statements for the Company.

The Company's unaudited condensed consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), London, and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") 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 contains 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 includes, but is not limited to, information with respect to: prospective financial performance; expenses and operations; anticipated cash needs and need for additional financing; anticipated funding sources; future growth plans; royalty acquisition targets; 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; and 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 Company's dependence on the operations, assets and financial health of investee companies; 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 volatility of the Company's share price; the relative speculative and illiquid nature of an investment in the Company; the Company's ability to generate sufficient revenues; the need for additional financing; dilution of shareholders' interest through future financings; the Company's lack of operating history; the limited diversification in the Company's existing investments; ability to negotiate additional royalty purchasers from new investee companies; the Company's ability to manage future growth; the Company's ability to enforce on any default by an investee company; competition with other investment entities; tax matters; the Company's ability to pay dividends in the future and the timing and amount of those dividends; reliance on key personnel, particularly our founders; and general economic and political conditions; as well as the risks discussed under the heading "Risk Factors" on pages 14 to 19 of the Annual Information Form of the Company dated April 21, 2014 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 will continue to grow moderately 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 as may be required by 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, average royalty payment per million invested, weighted average royalty rate, rolling three month average investment per month and rolling three month average investment per transaction to assist in assessing the Company's financial performance. EBITDA, Adjusted EBITDA, average royalty payment per million invested, weighted average royalty rate, rolling three month average investment per month and rolling three month average investment per transaction (the "**Non-IFRS Measures**") are financial measures used in this MD&A that are not standard measures under IFRS. The Company's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Company's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See section "**Definition of Non-IFRS Measures**" for an explanation on how they are calculated. These Non-IFRS measures should only be interpreted in conjunction with the most recently audited financial statements of Grenville Corporation for the period ended December 31, 2013, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## OVERVIEW

Grenville earns its revenues by providing capital to private and public businesses (individually, an “Investee” and collectively the “Investees”) in exchange for long-term revenue streams. Grenville’s revenue typically consists of regular monthly payments that are contractually agreed to between Grenville and each Investee (“Royalties”), interest income and other similar types of payments. Specific investee receivables 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 Investee’s gross revenue or “top-line” performance measures. As Grenville started operations on July 29, 2013, there is no information available for the three month and nine months period ended September 30, 2013.

## THE REVERSE TAKE-OVER

On December 17, 2013, the Company entered into a business combination agreement with Grenville Corporation (formerly Grenville Strategic Royalty Corp.), pursuant to which on February 19, 2014 the Company completed a reverse take-over with Grenville Corporation (the “RTO”). Under the terms of the RTO:

- (a) each pre-RTO shareholder of the Company received 0.69 of a new common share of the Company and 0.34 of a transferable share purchase warrant of the Company for each common share held immediately prior to the completion of the RTO, with each whole warrant being exercisable into one common share at an exercise price of \$0.42 per common share for a period of 24 months from the date of issuance;
- (b) each pre-RTO shareholder of Grenville Corporation received one common share of the Company for each common share of Grenville Corporation held immediately prior to the completion of the RTO;
- (c) all outstanding stock options of the Company were exchanged for new stock options of the Company based on the exchange ratio described above, and each option-holder received additional stock options to purchase common shares exercisable until February 19, 2016 at an exercise price of \$0.42 per common share in order to reflect similar terms for optionees as were offered to shareholders of the Company through the warrants;
- (d) all outstanding stock options of Grenville Corporation were exchanged for an equal number of stock options of the Company at the same exercise price, being \$0.028 per common share, and on the same terms as the original stock options; and
- (e) the Company changed its name from Troon Ventures Ltd. to Grenville Strategic Royalty Corp.

In accordance with the guidance under *IFRS 3 Business Combinations*, the substance of the transaction is an RTO of a non-operating entity since the Company’s prior activities were limited to the management of cash resources and the maintenance of its listing and accordingly did not constitute a business. As Grenville Corporation has obtained control, in accordance with *IFRS 10 Consolidated Financial Statements*, the Company’s unaudited condensed consolidated financial statements are a continuation of Grenville Corporation’s financial statements.

The most significant impact on the Company of the RTO was the acquisition of cash and cash equivalents amounting to \$6,935,241.

## GENERAL DESCRIPTION OF THE BUSINESS

Grenville seeks to purchase non-dilutive, revenue-based royalties in primarily private and public, small to medium (SME) companies in North America. The Company’s royalty investments are structured to align with the interests of founders, management and shareholders of SMEs by protecting the ability of the existing management of investee companies to manage their business. Grenville seeks to provide capital as a catalyst for growth and, where possible, to attract broader funding for each investee company. Grenville believes that they have identified an underserved segment in North American capital markets that lies between traditional equity and debt financing. For many businesses, a revenue-based royalty instrument has advantages with respect to cost and contractual terms. Traditional royalties have been used extensively in the North American resource industry but have yet to have been applied effectively in a number of other sectors including cleantech, renewables, infrastructure, technology, services, healthcare and general manufacturing, without limitation. Grenville believes, based on discussions with a large sample of investee companies that have supported our business model, that there is significant demand for non-dilutive royalty financing.

Grenville buys royalty interests in the revenue stream generated by many companies diversified across many industrial sectors and North American geographies. Grenville believe that it 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 markets. The royalty financing structure offered by Grenville can bridge the financing needs of these companies until traditional debt and equity is available to them on more attractive commercial terms. In some cases, Grenville’s royalty may act as a lead order in combination with other forms of financing.

Grenville’s royalty financing structure is non-dilutive, on an equity basis, and better aligned with management, in terms of growth: a model that has proven to be very successful in the mining and oil & gas, film and pharmaceutical industries. Grenville believes that royalty structures offer a useful alternative, or complement, to traditional debt and equity financing. Royalties are calculated based on the revenue generated by the investee company, require no traditional security or significant financial covenants and do not involve participation in equity ownership. As a result, Grenville believes that royalty financing is better aligned with the vision of investee company management in terms of growth and does not compete equally for return with existing equity investors. A royalty can also be structured to either survive or be liquidated in the event of an acquisition of the investee company, which can be an advantage to founders and existing equity holders.

Grenville seeks to purchase royalties in companies where historical financial and product performance can be used as the primary gauge of risk. Investment due diligence is focused on tangible, measurable results rather than forward looking estimates more common in venture capital investments. Grenville seeks to generate returns by creating royalty rates and structures capable of generating returns similar to venture capital-like investments, using a portfolio model which de-risks investment returns through diversification. Grenville believes that this can be accomplished by investing a small amount in many companies and diversifying across many industrial sectors and geographies. Grenville uses a formal due diligence process and implements investments using a variety of deal structures, designed to optimize tax and accounting for both Grenville and the investee company.

**RESULTS OF OPERATIONS**

	<b>Three months ended September 30, 2014</b>	<b>Nine months ended September 30, 2014</b>	<b>Period July 29, 2013 to December 31, 2013</b>
Revenues	\$ 905,384	\$ 1,409,546	\$ 51,952
Profit/(Loss) for the period	528,558	(3,377,297)	(108,856)
EBITDA/EBITDA (Loss) <sup>(1)</sup>	874,439	(3,030,819)	(108,856)
Adjusted EBITDA/EBITDA (Loss) <sup>(1)</sup>	541,579	551,810	(23,844)
Basic and diluted Earnings/(Loss) per share	0.0089	(0.0734)	(0.0083)
Weighted basic average number of shares outstanding	59,302,462	45,996,104	13,052,403
Weighted diluted average number of shares outstanding	72,481,663	52,551,317	13,300,690
Royalty agreements acquired in period	9,540,053	18,210,768	1,910,000
Aggregate royalty agreements acquired	20,120,768	20,120,768	1,910,000
Weighted average royalty rate <sup>(1)</sup>	3.64%	3.64%	2.41%

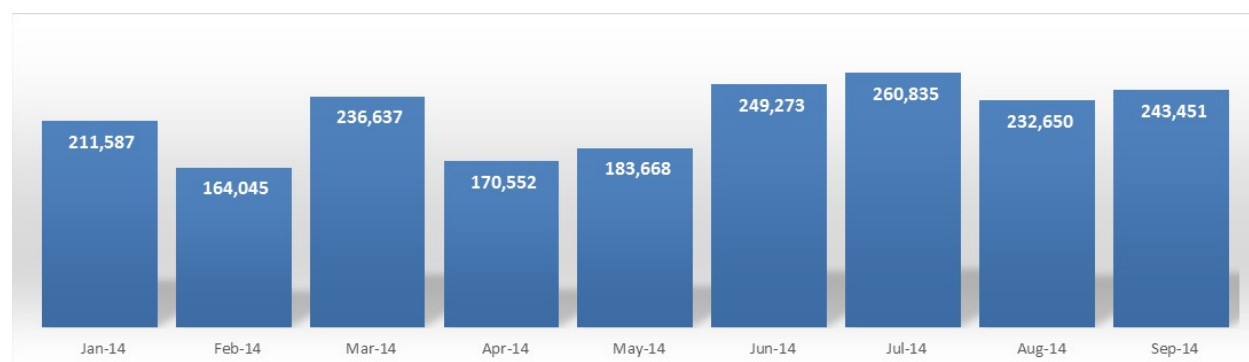
(1) EBITDA, Adjusted EBITDA, and weighted average royalty rate are non-IFRS measures. Refer to section Definition of Non-IFRS Measures for further explanation and definitions.

## Revenue analysis

	Three months ended September 30, 2014	% of revenue	Nine months ended September 30, 2014	% of revenue	Period July 29, 2013 to December 31, 2013	% of revenue	Growth %
Interest income on loans	\$ 8,579	1.0	\$ 31,626	2.2	\$ 24,651	47.4	(65.2)
Royalty payment income	842,595	93.0	1,283,470	91.1	27,301	52.6	3,086.3
Other income	54,210	6.0	94,450	6.7	0	0.0	N/A
<b>Total revenue</b>	<b>\$ 905,384</b>	<b>100.0</b>	<b>\$ 1,409,546</b>	<b>100.0</b>	<b>\$ 51,952</b>	<b>100.0</b>	<b>1,742.7</b>

Revenues for the three months ended September 30, 2014 were \$905,384, compared to \$51,952, for the period from July 29 to December 31, 2013. Revenues for the nine months ended September 30, 2014 were \$1,409,546. The most significant component is royalty payment income which represents 93% and 91% of total revenue for the three months period ended September 30, 2014 and the nine months period ended September 30, 2014, respectively. There was an increase of 3,086% compared to the period from July 29 to December 31, 2013. The increase was due to additional royalty agreements acquired during the nine month period ended September 30, 2014 of \$18,210,768 and earning a full period of revenue for the investments acquired in 2013. Other income included interest income on short term investments earned on the available cash during the quarter. Interest income was generated from cash and cash equivalents acquired as part of the RTO, cash available following the issue of special warrants in March, 2014 and cash available following the issue of the convertible debentures in July, 2014. Interest income on short term investment for the nine months ended September 30, 2014 was \$94,450.

The average royalty payment per million invested (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for each month during the nine months ended September 30, 2014 was as follows:



The average royalty payment per million invested (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the month of September 2014 was \$243,451. During the previous quarter, management modified the calculation to base it on the portfolio rather than calculating it transaction by transaction and the chart above reflects results for all the months using this changed methodology. The methodology also allows management to present the calculation of the metric relative to our released financial results. Management believes that as the portfolio achieves a greater level of diversification, each month's result will become more closely aligned. With fifteen investments in the portfolio generating revenues during Q3, small variations in revenues and the timing during a calendar month of new investments has a large impact on this metric because the new calculation assumes the new investment starts midway during the month. For instance, for February and April 2014, if the new investments in that month did not occur at the end of the month but instead the first day of the following month, the result would have been \$219,858 and \$198,917 rather than \$164,045 and \$170,552, respectively. Current results are consistent with management expectations for the end of Q3 in the year.

Total operating expenses incurred in the statement of comprehensive income and loss for the three months ended September 30, 2014 was \$31,686. Included in the \$31,686 was a net foreign exchange gain of \$373,302, of which \$360,819 relates to an unrealized foreign exchange gain resulting from the translation of royalty agreements acquired denominated in US dollars and a share-based payment expense of \$27,959. Both sums were recognized for accounting purposes, but do not impact available cash

in the immediate future or the cash flow generated by operating activities. Included in operating expenses of \$4,441,703 for the nine months ended September 30, 2014 was \$3,636,197, directly attributable to the RTO, unrealized foreign exchange gains of \$247,826 and share-based payment expense of \$186,476.

Salaries, benefits and other staffing costs were \$212,979 for the three months ended September 30, 2014, compared to no expense in the period from July 29 to December 31, 2013. The increase was due to the fact there were new employees, who started employment with the Company at various times between January and May 2014, and directors' fees paid covering the period March 27, 2014 to September 30, 2014. The expense for the nine month period ended September 30, 2014 was \$840,278.

Management and facility fees were \$37,800 for the three months ended September 30, 2014, compared to \$45,000 for the period from July 29 to December 31, 2013. \$30,000 of the expense was paid to Quantum Leap Asset Management, a related party, for the provision of general office and administrative services. The expense for the period from July 29 to December 31, 2013 was \$45,000, a five month period, compared to the \$30,000, which was for a period of three months. The expense for the nine months ended September 30, 2014 was \$102,782.

The share-based payment expense of \$27,959 for the three months ended September 30, 2014 related to an expense recognized for non-cash stock based compensation. This expense related to the amortization of the fair value of stock options that will vest in the future. There was no share-based payment expense recognized for the period from July 29 to December 31, 2013 as any options outstanding in this period were not vested. The expense of \$2,837,402 for the nine months ended September 30, 2014 included \$2,651,316 recognized as a result of the RTO that took place on February 19, 2014. The \$2,651,316 represented the difference between the fair value of the consideration and the fair value of the identifiable net assets acquired as a result of the RTO.

Professional fees were \$73,364 for the three months ended September 30, 2014 compared to \$104,059 for the period from July 29 to December 31, 2013. The decrease was due to \$85,012 incurred in connection with the setting up of the business during the period from July 29 to December 31, 2013. The expense of \$763,804 for the nine months ended September 30, 2014 included \$584,881 incurred as a result of the RTO that took place on February 19, 2014.

There was a foreign exchange gain of \$373,302 recognized for the three months period ended September 30, 2014. \$360,819 of this amount related to the movement in the period resulting from the translation of the royalty agreements acquired denominated in US dollars. The closing exchange rate at September 30, 2014 was \$1.12 while the average exchange rate when the investments occurred was \$1.0943. As the term of the agreements is perpetual, management does not consider it necessary to hedge this foreign exchange exposure as the exposure is undeterminable and there is no impact anticipated on cash flows in the immediate future. For the nine months ended September 30, 2014 there was a foreign exchange gain of \$247,826.

As the Company generated profits for the three months period ended September 30, 2014, it is probable that the Company will have taxable profits going forward. As a result, the Company have recognized an income tax expense of \$63,829 and deferred tax income of \$88,849 for the three months and nine months period ended September 30, 2014.

The Company recorded a profit after income taxes and EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of \$528,558 and \$874,439, respectively, for the three months ended September 30, 2014, compared to a loss of \$108,856, for the period from July 29 to December 31, 2013. A profit was generated for the three months ended September 30, 2014 as a result of the higher revenues of \$905,384. The Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the three months ended September 30, 2014 was \$541,579, compared to a loss of \$23,844 for the period from July 29 to December 31, 2013. For the nine months ended September 30, 2014, the loss after income taxes, EBITDA loss and Adjusted EBITDA was \$3,377,297, \$3,030,819 and a profit of \$551,810, respectively.

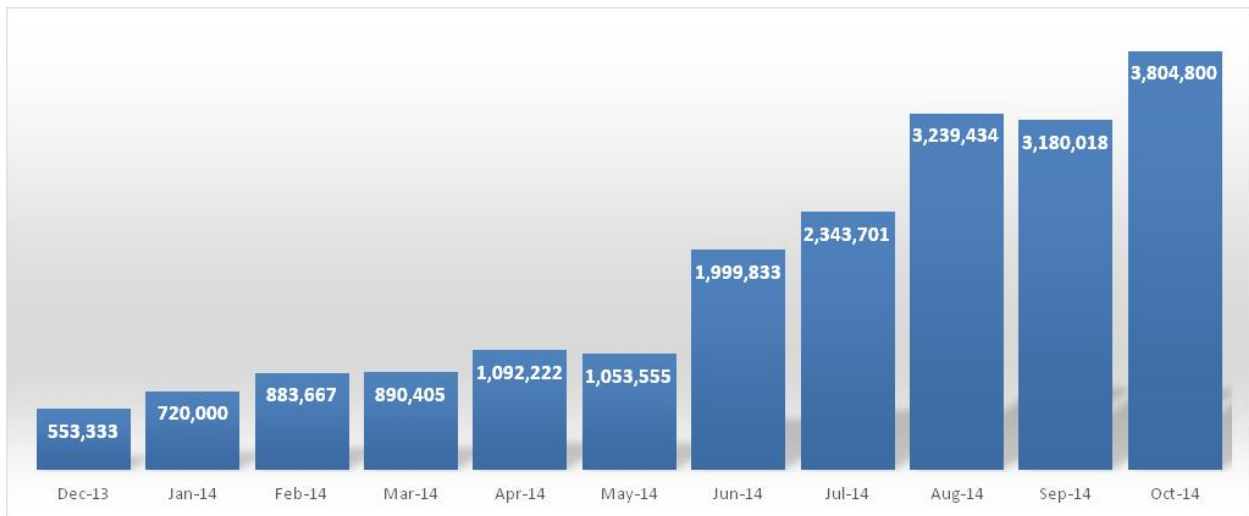
**Portfolio Update**

As at September 30, 2014, the Company have deployed capital of approximately \$20,120,766 of which \$9,540,053 related to five royalty agreements completed during the three months ended September 30, 2014. During the month of October 2014, an additional three royalty investments were made totaling \$4,011,400. Together, this brings the Grenville portfolio to twenty two investments into eighteen individual investees, with four investees having received a 2<sup>nd</sup> installment.

The Weighted Average Royalty Rate (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for all the royalty financings made as of September 30, 2014 was 3.64%, compared to 2.41% for all the investments made as of December 31, 2013.

The rolling three month average investment per month and the rolling three month average investment per transaction (both are non-IFRS measures, refer to Definition of Non-IFRS Measures for definition) from December 2013 to the date of this MD&A are:

**Rolling three month average investment per month**



**Rolling three month average investment per transaction**



An update on each of the five new investees where a royalty agreement was closed during the three months ended September 30<sup>th</sup>, 2014 are as follows:

**Above Security:** Above Security is a privately held provider of managed security solutions based in Montreal, Que., with over 15 years of experience providing security services to networks of over 250 private and government-owned organizations in nearly 40 countries. Above Security's solutions deliver customized services for monitoring and protecting clients' critical and sensitive IT assets 24 hours a day, seven days a week. Above Security was founded in 1999, and has representative offices in North America, Europe and the Middle East.

**INOVx:** INOVx is the pioneer and leading provider of Asset Virtualization software to support enterprise asset management (EAM) in the process industries. INOVx's asset virtualization approach to EAM improves plant productivity, safety and decision-making cycles by facilitating seamless integration of the asset's physical condition with various plant-wide engineering, inspection, operation and maintenance systems. With a record of successful client projects across the globe and proven software applications, INOVx is uniquely positioned to make Asset Virtualization an integral and a key part of an industrial plant's daily asset management discipline. Founded in 1999, INOVx is privately held.

**OneUp:** OneUp Games is a leading mobile sports network that develops global live-play, sports-based, social gaming platforms for mobile users. Through its premium mobile sports platform, fans are linked to teams, leagues, sponsors and sports media properties while being offered a deeper and more engaging live sports experience. As a leading second-screen sports provider, OneUp Games has developed partnerships with the National Football League, Major League Baseball, National Basketball Association, National Hockey League, PGA Tour and Nascar, together with more than 30 professional and college teams. OneUp Games is located in West Palm Beach, Fla.

**DS Handling:** DS Handling is a privately held, Orangeville, Ontario-based provider of specialized package and pallet handling systems with over 30 years' experience providing conveyer services to the distribution and fulfillment, postal and courier, food and beverage, and general manufacturing industries primarily in Canada and the US. DS Handling's solutions include custom design, manufacturing, control, and implementation of package and handling systems. DS Handling was founded in 1983 and has offices in Toronto and Vancouver.

**Lattice Biologics:** Lattice Biologics is a leader in the innovative medical field of allograft healthcare services, producing allograft products for use in various clinical applications. Known industry wide for their allograft quality, operational efficiency and customer satisfaction, Lattice operates from its state-of-the-art facility in Phoenix, Arizona. Lattice Biologics' staff of highly trained tissue bank specialists, surgical technicians, certified sterile processing and distribution technicians and CNC operators maintain the highest standards of aseptic technique throughout each step of the manufacturing process, from donor acceptance to the final packaging and distribution of finished allografts. Lattice has office in Toronto and Vancouver.

An update on each of the three new investees completed in October, 2014, and added to the portfolio is provided, as follows:

**BG Furniture:** BG Furniture is a 85 year old enterprise manufacturing high quality solid wood furniture in Walkerton, Ontario. The company is run by two well known furniture industry executives, Adam Huffman and Dirk Neilsen who are modernizing the manufacturing facility to produce more customer selection and industry leading delivery times.

**APO Solution (ABACA):** APO Group, with the Abaca Solution and SmartBOOK service offerings, is a privately-held provider of outsourced accounting services to small-to-medium sized accounting firms in North America. APO Group provides clients with standardized tax, bookkeeping and general accounting utilizing North American GAAP and IFRS qualified CPAs based in the Philippines. Firms are able to leverage cloud-enabled and hosted services, paired with a pool of experienced and qualified CPAs. APO Group helps accountants achieve the impossible, Work/Life balance can be a reality. APO Group today has more than 30 staff based in Canmore, Alberta and Bacolod City, Philippines.

**Medical Imaging Corp. (MEDD):** MEDD is a company focused on operations and further acquisition of stable operating medical imaging businesses throughout Canada and the US. MEDD's clinics offer MRI, CT, X-Ray, PET scans, and radiology reports. With their head office in Toronto, MEDD initiated their medical imaging clinic roll-up strategy in 2009 when the company purchased Canadian Teleradiology Services Inc., a Toronto-based provider of remote medical diagnostic imaging scans for rural hospitals and clinics. In 2012, MEDD modified their strategy to begin acquiring existing full-service imaging clinics located in the US, making their first acquisition in December 2012 of Schuylkill Open MRI, Inc. located in Pottsville, Pennsylvania. In July 2014, MEDD identified and engaged to acquire 3 medical imaging clinics in western Florida.



**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2014 the Company's capital resources were \$19,571,997, made up as follows:

59,369,849 common shares	\$ 21,191,559
9,569,473 share warrants at an exercise price of \$0.42 with an expiry date of February 19, 2016.	1,034,232
Contributed surplus	273,528
Equity component of the convertible debenture	558,831
Accumulated Deficit	(3,486,153)

On March 27, 2014, the Company raised gross proceeds of \$10,000,000 through the issuance of 20,000,000 special warrants. The special warrants were converted on May 15, 2014 into 20,000,000 common shares. After deducting issuing costs, the net proceeds received were \$9,051,437. As of September 30, 2014, all of the net proceeds were utilized to acquire royalty agreements between May 15, 2014 and September 30, 2014.

The Company closed a "bought deal" offering for 8% convertible unsecured subordinated debentures, maturing on December 31, 2019, on July 10, 2014. The offering was for \$15,000,000 with an over-allotment of \$2,250,000. The over-allotment was fully utilized resulting in gross proceeds of \$17,250,000. The net proceeds were \$15,905,445 and as of September 30, 2014, \$1,942,052 of these funds was used to acquire royalty agreements. The remaining balance of \$12,021,352 will be utilized to acquire further royalty agreements. The interest payments under the debenture will amount to \$1,380,000 per annum.

The company's cash position at September 30, 2014 was \$13,392,405 and 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. At the Company continues to grow the Company will be required to raise additional capital on a regular basis.

**WORKING CAPITAL**

Grenville's working capital at September 30, 2014 and December 31, 2013 was made up as follows:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 13,392,405	\$ 593,417
Accrued interest and royalty payment receivable	379,899	20,606
Loan receivable – current portion	70,698	125,944
Royalty agreement acquired – current portion	180,406	-
Receivable from tax authorities	1,037,843	166,036
Deposit and Prepaid expense	26,366	506,663
Accounts payable and accrued expenses	(434,048)	(210,715)
Income tax payable	(51,959)	-
<b>Total</b>	<b>\$ 14,601,610</b>	<b>\$ 1,201,951</b>

The Company is of the view that the Company is able to meet all obligations as they become due.

A summary of the contractual obligations as at September 30, 2014 were:

Contractual obligation	Total	Less than 1 year	1-4 year	5 year
Accounts payable and accrued liabilities	\$ 434,048	\$ 434,048	\$ -	\$ -
Convertible debenture	17,250,000	-	-	17,250,000
Management and facility fees payable to Quantum Leap Asset Managements	30,000	30,000	-	-
Rent payments under office leases	463,237	133,010	330,227	-
<b>Total</b>	<b>\$ 18,177,285</b>	<b>\$ 597,058</b>	<b>\$ 330,227</b>	<b>\$ 17,250,000</b>

## 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. The Company, except for cash and cash equivalents, measure all financial instruments subsequently at amortized cost. Of the financial instruments measured at amortized cost, only accounts payable and accrued liabilities and the convertible debenture were not classified as loans and receivables.

Cash and cash equivalents are classified as held-for-trading and are subsequently measured at fair value. 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 credit or liquidity risk on these cash and cash equivalent balances. The cash and cash equivalents balances at September 30, 2014 were \$13,392,405.

For financial assets measured at amortized cost, Grenville will assess, at each reporting period, whether impairment has occurred. At September 30, 2014, no financial assets were impaired or in default. In monitoring credit risk for the royalty agreements acquired and the loan receivable, the Company considers the payment history, industry, sales volume and aging trends, maturity, and other relevant factors. The Company performs periodic credit evaluations of the financial condition of the investee. At September 30, 2014, the maximum credit exposure for the royalty agreements acquired and the loan receivable was \$20,216,722. 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. The foreign exchange exposure at September 30, 2014 was 9,768,525 United States dollars representing 30% of total assets.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, market and liquidity risks. The Company does not hold any financial derivatives either for hedging or speculative purposes.

As all accounts payable and accrued liabilities are short term, the Company has sufficient cash available to settle all liabilities when due. Included in accrued liabilities is interest payable on the convertible debenture which at September 30, 2014 amounted to \$310,500. The Company expects that there is sufficient cash available to meet all working capital requirements for at least the next twelve months.

The fair value of receivables, accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity. The fair value of the loan receivable and royalty agreements acquired are estimated by discounting future cash flows using a discount rate that takes into account the size of the investee, term, credit risk and changes in market conditions. The fair value of the convertible debentures is based on valuation techniques taking into account trading values, market rates of interest, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on similar issues. There was no change in fair value that was recognized in the total comprehensive profit for the three months period ended September 30, 2014 or the loss for the nine month period ended September 30, 2014.

## COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2014, Grenville had no commitments for material capital expenditures, no contingencies and no off-balance sheet arrangements.

The only material contractual obligations other than the convertible debenture (see Liquidity and Capital Resources) are an agreement with Quantum Leap Asset Management Limited for the provision of general office and administrative services which expires in December 2014. A new office lease agreement will commence effective from December 1, 2014 for a new location. The agreement with Quantum Leap Asset Management Limited is described in more detail under Transactions between Related Parties. The Company entered a lease agreement in May 2014 for a separate office in the existing building the Company's operations are administered from and will expire in December 2014.

## TRANSACTIONS BETWEEN RELATED PARTIES

### a) Related Party Transaction

The Company entered into an independent contractor agreement with Quantum Leap Asset Management Limited ("QLAM"), a company controlled by William Tharp, a director and the Chief Executive Officer of the Company, dated July 29, 2013, for the provision of general office and administrative services (the "QLAM Agreement"). The QLAM Agreement will expire on December 31, 2014 by mutual agreement of the parties.

Under the terms of the QLAM Agreement, the Company will pay QLAM a maximum of \$10,000 per month, plus applicable taxes, primarily for the Company's proportionate share of the cost of QLAM's office rent and ancillary services, payable in advance on the first day of the month. If the Company requests the provision of additional services, the parties will negotiate pricing and payment terms for such additional services. For the three month period ended

September 30, 2014 and the nine month period ended September 30, 2014 the Company incurred \$30,000 and \$90,000 respectively in fees under the QLAM Agreement.

b) Compensation of key management personnel

	<b>3 month period ended September 30, 2014</b>	<b>9 month period ended September 30, 2014</b>	<b>Period July 29 to December 31, 2013</b>
Short term employee benefits	\$ 157,594	\$ 326,759	\$ -
Share-based payments	14,310	174,494	-
Consultancy fees	33,750	69,375	-
Severance payment	-	400,000	-
<b>Totals</b>	<b>\$ 205,654</b>	<b>\$ 970,628</b>	<b>\$ -</b>

The severance payment of \$400,000 was paid to the former President and Chief Executive Officer of Troon Ventures Ltd. but who continues to be an independent director of Grenville.

Since March 27, 2014 the Executive Chairman and Chief Executive Officer received salary compensation and the non-executive board members received directors' fees.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

Grenville is still an early development stage company and as the Company grows, it will continue to establish additional and broader internal controls over financial reporting.

#### CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Estimates may include amounts of liabilities for services provided but not yet invoiced, share-based payments, deferred income tax assets and impairment of financial assets.

The Company capitalizes transaction costs on royalty agreements which are not recoverable from the investee when there is intent by both parties to enter into an agreement. In order to calculate the effective interest rate applicable for the entire term of the agreement (which in turn determines the income to be recognized in the Statement of Comprehensive Income and Loss), the Company must estimate the expected cash flows based on the Company's experience of such investments and the investee's historical cash flows. At the end of each quarter, the Company reviews the estimated cash flows to see if a revision is required, based on the actual level of cash flows received. Any adjustment to the principal reflecting a revision in the cash flows is recognized as an income or expense in profit or loss.

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 International Financial Reporting Standards ("IFRS") from incorporation as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Company has adopted IFRS 10, 11, 12 and 13 which were effective on January 1, 2013. The IASB has and will issue a collection of amendments as part of its annual project "Improvements to IFRSs." They will not have a material impact on the presentation of the Company's financial position or results of operations.

In November 2009, the IASB issued IFRS 9 *Financial Instruments*, which addresses the classification and measurement of financial instruments. Application of IFRS 9 is mandatory from the effective date of January 1, 2018. The Company has carried out an impact analysis and the new standard will mean that the Company's royalty agreements acquired will be subsequently measured at fair value and the changes in fair value will be reflected in the statement of comprehensive income and loss. This change will not impact the cash flows generated by the Company's activities and as a result will not have a material adverse effect on the Company's business, financial condition, results of operations or prospects but could have a material impact in the presentation of the financial statements.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which addresses the recognition of revenue. The new standard is out of scope for the Company as 100% of its revenues are generated by financial instruments.

## **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. At September 30, 2014, there were issued and outstanding: (a) 59,369,849 Common Shares; (b) Warrants to acquire 9,569,473 common shares at an exercise price of \$0.42; (c) options under the Company's Stock Option Plan to acquire 3,368,360 common shares, at a weighted average exercise price of 46.90 cents and (d) convertible debentures at a conversion price of \$0.92 (or a conversion rate of 1,086.9565 common shares for each \$1,000 principal amount of debentures) which, if converted into common shares at that price, would result in the issuance of 18,750,000 common shares.

## **RISK FACTORS**

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

### **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, which will be the sole source 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 financial condition and cash flow. The Company conducts due diligence on each of our 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.

### **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 our investee companies, the Company does not have significant 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 our 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. In addition, because the Company has structured, and generally intends to structure, our investments in investee companies on an unsecured basis, our rights, including payment rights, will be subordinate to the rights of secured lenders of investee companies and other parties holding security interests against investee companies.

### **Volatility of Share Price**

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's listed securities will trade cannot be predicted. The market price of the Company's listed securities could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements Grenville make, 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 expect, Grenville 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.

### **Financing Risks**

The Company does not have any history of significant earnings and due to the nature of our 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 our investee companies, there is no assurance that such funds will be sufficient

to facilitate the development of our 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**

Grenville 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 our 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 Grenville may not yet have all of the skills or personnel necessary to properly analyze and value royalty opportunities.

**Limited Number of Investee Companies**

Grenville has purchased royalties from a small number of investee companies to date. While the intention is to purchase a large number of royalties from companies in different industry sectors, it will take time to attain such diversification, if such diversification can be achieved at all. Until such time as diversification is achieved, the Company may have a significant portion of our 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, results of operations or prospects.

**Ability to Negotiate Additional Royalty Purchases**

A key element of the growth strategy involves purchasing additional royalties from new investee companies. Grenville'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 our access to financing on acceptable terms. As Grenville 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 our business, financial condition, results of operations or prospects.

**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. Although Grenville believe that the repurchase prices will adequately compensate us for lost royalty payments, 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 our business, financial condition, results of operations or prospects.

**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, we expect 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 our investee companies' ability 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 our 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 our investee companies may be adversely affected.
- Damage to the reputation of our investee companies' brands 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 our 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.

**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 our and the investee companies' business, resources, financial condition, results of operations and cash flows. 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.

**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 Grenville. 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.

**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**

The Company has never declared dividends on any of the Company's securities. Grenville does not intend to pay dividends on the Company's Common Shares until sufficient cash flow is generated to fund the dividend on a consistent basis.

**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 our business, financial condition, results of operations or prospects.

### **Reliance on Key Personnel**

Grenville'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. 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 we 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 Grenville and the Company's 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.

### **Effect of General Economic and Political Conditions**

Grenville's business, and the business of each of our 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 Company's and our investee companies' business, financial condition, results of operations or prospects.

### **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 Grenville may be subject to lawsuits, claims, regulatory proceedings, and litigation for amounts not covered by our liability insurance. Some of these proceedings could result in significant costs, whether or not resolved in our 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 us, our business, our market or our 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, Grenville'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.

### **APPROVAL**

The Board of Directors of the Company approved this MD&A on November 3, 2014.

### **ADDITIONAL INFORMATION**

A copy of this MD&A, as well as additional information concerning the Company, is available on SEDAR at [www.sedar.com](http://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 foreign exchange differences on royalty agreements acquired, unrealized adjustments made to the carrying amount as a result of revising estimated cash flows 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 interim consolidated statement of comprehensive income and loss for the periods ended as indicated:

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Period from July 29, 2013 to December 31, 2013
<b>Profit/(Loss) before income taxes</b>	<b>\$ 503,538</b>	<b>\$ (3,402,317)</b>	<b>\$ (108,856)</b>
Depreciation	741	1,338	-
Financing expense	370,160	370,160	-
<b>EBITDA/EBITDA (Loss)</b>	<b>874,439</b>	<b>(3,030,819)</b>	<b>(108,856)</b>
Adjustments:			
Unrealized foreign exchange gain on carrying amount of Royalty Agreements Acquired	(360,819)	(239,654)	-
Share-based payment expense	27,959	186,086	-
RTO transaction expense <sup>(1)</sup>	-	2,651,316	-
Severance payment	-	400,000	-
Legal and professional expenses directly related to RTO	-	584,881	-
Legal and professional fees directly related to start-up of business	-	-	85,012
<b>Adjusted ETIBDA/EBITDA (Loss)</b>	<b>541,579</b>	<b>551,810</b>	<b>(23,844)</b>

(1) The RTO transaction expense arises from a share-based payment. As the expense is so significant and relates to a specific transaction it is included under RTO transaction expense rather than Share-based payment expense.

During the 2<sup>nd</sup> Quarter, 2014 management changed how Adjusted EBITDA was calculated by including unrealized foreign exchange differences and share-based payment expenses relating to services provided. As a result, any comparatives relating to Adjusted EBITDA must now show unrealized foreign exchange differences and share-based payment expenses relating to services provided. For the period from July 29, 2013 to December 31, 2013, there were no unrealized foreign exchange differences or share-based payment expenses relating to services provided so there is no change in Adjusted ETIBDA relative to that which was previously reported.



The reconciliation of EBITDA loss to Adjusted EBITDA, if these changes were not made, is:

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Period from July 29, 2013 to December 31, 2013
<b>Loss before income taxes</b>	<b>\$ 503,538</b>	<b>\$ (3,402,317)</b>	<b>\$ (108,856)</b>
Depreciation	741	1,338	-
Financing expense	370,160	370,160	-
<b>EBITDA/EBITDA (Loss)</b>	<b>874,439</b>	<b>(3,030,819)</b>	<b>(108,856)</b>
Adjustments:			
RTO transaction expense <sup>(1)</sup>	-	2,651,316	-
Severance payment	-	400,000	-
Legal and professional expenses directly related to RTO	-	584,881	-
Legal and professional fees directly related to start-up of business	-	-	85,012
<b>Adjusted EBITDA/EBITDA (Loss)</b>	<b>874,439</b>	<b>605,378</b>	<b>(23,844)</b>

**Average royalty payment per million invested** refers to the royalty payment earned during the period, converted into an annualized amount and by reference to a \$1 million investment. This is used by management to monitor the performance of a royalty investment and the portfolio compared to the pre-determined target of \$250,000 per million invested. The following table shows the calculation for each month from January 2014 to September 2014:

Ref.	Total for 9 months ended September 30, 2014	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14 <sup>(1)</sup>	Feb-14 <sup>(1)</sup>	Jan-14 <sup>(1)</sup>
<b>Royalty payment</b>										
Interest income on loans	31,625	2,629	2,861	3,088	3,311	3,529	3,742	3,952	4,156	4,357
Royalty payment income	1,283,470	357,388	265,704	219,503	170,868	84,842	59,287	71,182	30,303	24,393
Principal payments	123,819	15,564	18,591	30,620	10,360	10,146	9,937	9,733	9,532	9,336
<b>Total Royalty payment</b>	<b>A</b>	<b>375,581</b>	<b>287,156</b>	<b>253,211</b>	<b>184,539</b>	<b>98,517</b>	<b>72,967</b>	<b>84,866</b>	<b>43,991</b>	<b>38,086</b>
<b>Capital Deployed</b>										
Starting balance		16,904,968	12,717,768	10,580,715	7,186,665	5,686,665	4,581,215	4,026,000	2,410,000	1,910,000
Royalty agreements acquired		3,215,800	4,187,200	2,137,053	3,394,050	1,500,000	1,105,450	555,215	1,616,000	500,000
Ending balance		20,120,768	16,904,968	12,717,768	10,580,715	7,186,665	5,686,665	4,581,215	4,026,000	2,410,000
<b>Average capital deployed*</b>	<b>B</b>	<b>18,512,868</b>	<b>14,811,368</b>	<b>11,649,242</b>	<b>8,883,690</b>	<b>6,436,665</b>	<b>5,133,940</b>	<b>4,303,608</b>	<b>3,218,000</b>	<b>2,160,000</b>
<b>Average royalty per \$1m invested</b>										
((A*12)/B)*1,000,000		<b>243,451</b>	<b>232,650</b>	<b>260,835</b>	<b>249,273</b>	<b>183,668</b>	<b>170,552</b>	<b>236,637</b>	<b>164,045</b>	<b>211,587</b>

\* Starting balance plus ending balance divided by 2

<sup>(1)</sup> For January 2014, February 2014 and March 2014 the average royalty rate per \$1m invested is now shown using the new calculation for comparison purposes.

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

**Rolling three month average investment per month** represents the average of the cost of the investments in royalty agreements in the current month and the previous two months.

**Rolling three month average investment per transaction** represents the average of the transaction size for the investments in royalty agreements in the current month and the previous two months.

These rolling three month metrics are used by management to monitor trends in the size, volume and velocity in investments, to gain insight into portfolio performance, risk management, future financing requirements and portfolio diversification indicators, without limitation.

The calculation of the rolling three month average investment per month and the rolling three month average transaction per transaction since December 2013 are:

	Ref.	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
<b>Royalty agreements acquired</b>	A	-	1,125,000	535,000	500,000	1,616,000	555,215	1,105,450	1,500,000	3,394,050	2,137,053	4,187,200	3,215,800	4,011,400
<b># of transactions closed in mth</b>	B	-	1	1	1	2	1	1	2	3	1	2	2	2
<b>Average deal size (Ref A / Ref B)</b>	C	-	1,125,000	535,000	500,000	808,000	555,215	1,105,450	750,000	1,131,350	2,137,053	2,093,600	1,607,900	2,005,700
<b>3 month moving average*</b>														
- Average investment per month (Ref A)	N/A	N/A	553,333	720,000	883,667	890,405	1,092,222	1,053,555	1,999,833	2,343,701	3,239,434	3,180,018	3,804,800	
- Average investment per transaction (Ref C)	N/A	N/A	553,333	720,000	614,333	621,072	822,888	803,555	995,600	1,339,468	1,787,334	1,946,184	1,902,400	

\* average of the sum of the current month and the previous 2 months.