

**CAPTOR CAPITAL CORP.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS –  
QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND NINE MONTHS ENDED  
DECEMBER 31, 2018**

**CAPTOR CAPITAL CORP.**  
**Interim Management's Discussion & Analysis – Quarterly Highlights**  
**Three and Nine Months Ended December 31, 2018**  
**Dated – March 1, 2019**

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## **Introduction**

The following interim Management's Discussion & Analysis ("Interim MD&A") of Captor Capital Corp. (the "Company" or "Captor") for the three and nine months ended December 31, 2018 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended March 31, 2018. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in accordance with section 2.2.1 of Form 51-102F1 of the National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended March 31, 2018 and 2017, together with the notes thereto, and unaudited condensed consolidated interim financial statements for the three and nine months ended December 31, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated interim financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of March 1, 2019 unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considered the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Captor common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Special Note Regarding Forward-Looking Information**

This Interim MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim MD&A speak only as at the date of this Interim MD&A or as at the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

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Forward-looking information	Assumptions	Risk factors
<p>The Company's plans, to acquire a portfolio of investment assets mainly cannabis focused investments that could contain significant value for shareholders.</p>	<p>Financing will be available for future acquisitions by the Company; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for development projects and other operations will be received on a timely basis upon terms acceptable to Captor, and applicable political and economic conditions are favourable to Captor; the price of applicable investments and applicable interest and exchange rates will be favourable to the Company.</p>	<p>Equity price volatility; uncertainties involved in interpreting geological data and retaining title to acquired properties and investees; availability of financing for the acquisitions; increases in costs; environmental compliance requirements and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.</p>
<p>The Company's ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2019.</p> <p>The Company's cash and investment balances at December 31, 2018, are sufficient to fund its consolidated operating expenses at current levels.</p>	<p>The operating and investing activities of the Company for the twelve-month period ending December 31, 2019, and the costs associated therewith, will be dependent on raising sufficient capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Captor.</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance requirements and changes in environmental and other local legislation and regulations; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for Captor's investing and operating activities; the price of applicable equity investments will be favourable to the Company.</p>	<p>Equity price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>
<p>Sensitivity analysis of financial instruments.</p>	<p>Equity price will not be subject to change in excess of plus or minus 20%; foreign exchange rates against the United States dollar will not be subject to change in excess of plus or minus 5%.</p>	<p>Changes in debt and equity markets and exchange rate fluctuations.</p>
<p>Prices and price volatility for investments.</p>	<p>The price of investments will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of investments will be favourable.</p>	<p>Changes in debt and equity markets and the spot prices of investments; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

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Inherent in forward-looking statements are risks, uncertainties and other factors beyond Captor's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section in this Interim MD&A. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Captor's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### **Description of Business**

Captor was incorporated under the laws of the Province of Ontario, Canada by articles of incorporation on September 26, 2003 and Captor's outstanding common shares became publicly listed on March 19, 2004 on the TSX Venture Exchange (the "Exchange") under the symbol "NWT". Subsequently, the Company's outstanding common shares were listed on the OTCBB under the symbol "NWURF" and on the Frankfurt Exchange. The Company de-listed its common shares from the Exchange on June 1, 2017 and submitted an application for listing its common shares on the Canadian Securities Exchange ("CSE"). The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the CSE under the symbol "CPTR".

Effective October 3, 2018, the Company consolidated its common shares on a 20:1 basis. All references in this Interim MD&A have been adjusted to reflect this share consolidation.

The Company is a cannabis focused investment and merchant banking company. The objective of the Company is to provide its shareholders with long-term capital growth by investing in a portfolio of cannabis focused companies. The Company has determined that it meets the definition of an investment entity under IFRS 10. All investments are recorded at fair value at each reporting date.

### **Highlights**

- On February 26, 2018, Captor acquired 5,181,785 Class A Units of MM Enterprises USA, LLC ("MM Enterprises") for US\$23,000,000 (\$29,164,000). On May 28, 2018, MM Enterprises completed a business combination with MedMen Enterprises Inc. ("MedMen Enterprises"), a US based medical and adult use cannabis company listed in the CSE.

Captor Acquisition Corp. (the "Acquiror"), a subsidiary of Captor, in connection with the business combination, acquired 7,991,251 Class B Common Shares ("Class B Shares") of MM Can USA, Inc. ("PC Corp"), a subsidiary of MedMen Enterprises, pursuant to a contribution by the Acquiror of the same number of units of the LLC in exchange for such Class B Shares. Pursuant to the articles of incorporation of PC Corp, Captor may, from time to time, exchange its Class B Common Shares for Class B Subordinate Voting Shares of MedMen Enterprises on a one-for-one basis (the "Subordinate Voting Shares").

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The Company received 7,991,251 Subordinate Voting Shares of MedMen Enterprises in exchange for the 5,181,785 Class A Units of MM Enterprises.

During the nine months ended December 31, 2018, the Company sold 5,851,611 shares for cash of \$24,672,737 and \$4,527,916 for the extinguishment of a loan owed by I-5 Holdings Ltd. to MedMen Enterprises resulting in a gain of \$2,876,816.

As at December 31, 2018, the Company held 2,500,000 shares in MedMen Enterprises with a value of \$9,625,000.

- On February 26, 2018, Captor issued a total of 8,593,418 Captor Shares in escrow to acquire the remaining 79% of the I-5 Holdings securities. The Acquisition was completed on May 30, 2018 pursuant to an amended merger agreement dated February 16, 2018 between Captor and I-5 Holdings whereby the holders of common shares of I-5 ("I-5 Shares") received 0.13 common shares of Captor Capital Corp. ("Captor Share") in exchange for each I-5 Share.

As a result of the Acquisition, certain common share purchase warrants of I-5 Holdings are exercisable into 1,105,402 Captor Shares at an exercise price of \$5.00 per Captor Share and other common share purchase warrants of I-5 Holdings are exercisable into 187,545 Captor Shares at an exercise price of \$6.20 per Captor Share.

- On September 18, 2018, the Company provided a loan to Captor Acquisition Corp. ("Acquisition Corp."), a subsidiary of Captor, to facilitate the acquisition of Chai Cannabis Inc. ("Chai") for US\$6,015,000. Chai currently operates a fully adult use dispensary in Santa Cruz, California. The consideration of US\$6,015,000, was paid by US\$4,390,950 in cash (\$5,710,934), US\$721,800 (\$934,370) in the form of a promissory note and US\$902,250 (\$1,187,722) was paid by issuance of 383,135 shares of Captor.
- On August 8, 2018, Captor granted an aggregate of 1,825,000 stock options to officers, directors, employees and consultants of the Company. All stock options are fully vested and exercisable at \$6.00 per common share of Captor for a period of 2 years.
- On August 8, 2018, the Company resumed trading on the CSE as cannabis focused investment and merchant banking company. The Company's strategy, leadership, and investments are discussed below.
- In December 2018, the Company advanced a further loan to Acquisition Corp. for the acquisition of the Higher Level of Care dispensary in Castroville, California. The purchase is conditional on the successful transfer of Higher Level's license to sell recreational cannabis. A total purchase price of US\$2,875,000 for the Castroville dispensary. Of the total purchase price, cash payment of US\$1,500,000 and the remaining US\$1,375,000 shall be paid pursuant to a promissory note, which has been issued for a term of one year at an interest rate of 9% compounded monthly. In addition, Acquisition Corp. will make a cash payment for the cannabis inventory owned by the company, which will be determined upon the closing of the deal.

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- On November 20, 2018, the Company announced that it has signed a Letter Of Intent to acquire an entity that has submitted an application pending approval for a cannabis dispensary in Santa Barbara County, California (“the Seller”). The transaction is subject to regulatory approval under the terms of the transaction. Captor shall acquire 99% of the equity interests in the Seller. The license is being sold for US\$1,300,000 (the “Purchase Price”). The Purchase Price for the entity that has applied for a cannabis dispensary license in Goleta, California is payable as follows: US\$250,000 shall be paid in cash on the date hereof, which shall be non-refundable to Captor (the “Deposit”); provided, however, in the event that the Company does not own, possess or is otherwise approved for the License on or before May 1, 2019, then the Deposit shall be refundable to Captor; US\$500,000 of the Purchase Price shall be paid in cash at the closing of the sale, which will occur upon regulatory approval; and US\$550,000 of the Purchase Price shall be payable in shares of the common stock of Captor, to be delivered after the 90th day following the closing of the transactions.
- On January 3, 2019, the Company announced that the CEO of the Company was issued 233,333 common shares at a deemed price of \$1.50 in lieu of receiving \$350,000 in deferred and unpaid salaries and bonuses.
- On February 4, 2019, the Company announced the sale of its two MedMen branded retail operations in southern California to MedMen for USD\$31,255,353 pursuant to a stock purchase agreement entered into on January 9, 2019 (the “SPA”). Under the terms of the SPA, MedMen acquired all of the shares of ICH California Holdings, Ltd., a wholly owned subsidiary of Captor that held the ownership interests in both of its MedMen branded retail cannabis dispensaries. The purchase price was paid by MedMen with 9,736,870 of its Class B Subordinate Voting Shares at a deemed issue price of USD\$3.21 per share. Odyssey Trust Company is holding 701,368 Class B Subordinate Shares in escrow issued as part of the purchase price. Of the shares held in escrow, 350,634 shares will be released from escrow on the 6-month anniversary of the closing date, subject to these shares being used to offset any indemnifiable claims under the SPA that may arise, and 350,634 shares will be released on the earlier of (a) the 6-month anniversary of the closing date; and (b) the occurrence of specified other post-closing events. Additionally, 1,051,902 Class B Subordinate Voting Shares issued as part of the purchase price are contractually restricted from trading for a period of six months from the closing date.

The SPA replaces and supersedes the definitive purchase agreement entered into between Captor and MedMen for the sale of Captor’s MedMen branded cannabis dispensary in Santa Ana, California for USD\$16,229,567, as announced on November 16, 2018. The Santa Ana location is included in the recently closed sale to MedMen.

### **Corporate Update on Operations of Cannabis Dispensaries**

The Company is a cannabis focused investment and merchant banking company. The objective of the Company is to provide its shareholders with long-term capital growth by investing in a portfolio of cannabis focused companies. Captor’s investments are accounted for at fair value. However, the Company would like to provide additional information on the operations of its cannabis dispensaries.

Captor’s wholly owned subsidiaries through its investments in 3 retail outlets, is very pleased to disclose the performance of some of its dispensaries - gross revenue of US\$25,469,042 and adjusted EBITDA (Non-IFRS) of US\$6,720,655 for the 12-month period between January 1, 2018 to December 31, 2018.

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Captor subsidiaries' strong financial performance is a direct result of having sourced prime retail locations such as West Hollywood and Capitola dispensaries, and the successful engagement of management expertise in the sector such as MedMen. With the current retail outlets and imminent closure of additional locations, Captor has created a strong retail footprint in California. The next step in the retail market will be to launch a new standardized brand of dispensaries to facilitate the distribution of a new branded product line and support the soon to be launched E-Commerce company. Subsequently, Captor will shift its focus to completing the development of manufacturing, distribution, and cultivation operations in southern California and the launch of an exciting new cannabis consumer brand which covers the full product spectrum.

Revenue:	Notes	Captor Capital Corp - CY 2018				Total
		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	
MedMen SA	1,2	1,189,311	1,616,163	956,019	-	3,761,494
MedMen WeHo	1,2	6,379,875	5,558,667	2,763,782	-	14,702,324
Chai Santa Cruz		1,764,018	1,733,633	1,613,739	1,575,386	6,686,776
Chai Castroville	3	-	-	-	318,449	318,449
Mellow Extracts	4	-	-	-	-	-
<b>Total</b>		<b>9,333,204</b>	<b>8,908,463</b>	<b>5,333,540</b>	<b>1,893,835</b>	<b>25,469,042</b>
<b>EBITDA Summary:</b>						
Net income/(loss)	1,2,3	1,126,325	(2,770,150)	(775,778)	629,440	(1,790,162)
Depreciation & Amortisation	1,2,3	48,318	161,743	52,656	-	262,718
Interest Expense	1,2,3	17,887	43,233	-	-	61,120
<b>EBITDA</b>		<b>1,192,531</b>	<b>(2,565,173)</b>	<b>(723,122)</b>	<b>629,440</b>	<b>(2,114,000)</b>
MedMen management fees	1,2,3	1,625,964	1,148,112	188,064	-	2,962,141
Central costs	1,2,3	376,252	769,586	570,161	-	1,716,000
Inventory write-off	1,2,3	-	242,357	-	-	242,357
Taxes and other	1,2,3	279,985	383,612	522,157	614,404	1,800,158
<b>Adjusted EBITDA (non-IFRS)</b>		<b>3,474,732</b>	<b>(21,506)</b>	<b>557,261</b>	<b>1,243,844</b>	<b>6,720,655</b>

**Notes:**

1- Due to contractual obligations the Jul-Sep 18 revenue results exclude the September 2018 Medmen information

2- Due to contractual obligations the Oct-Dec 18 revenue results exclude the Medmen information

3- Captor assumed operations of Chai Castroville (formerly Higher Level of Care) on 14 December 2018 therefore Captor is only presenting financial results of the operation subsequent to this date

4- Management have elected to delay the launch of Mellow Extracts operations to allow for the upgrade and installation of extraction equipment which will materially enhance production capabilities and revenue generation

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**Retail Opportunities**

On September 18, 2018, the Company completed the acquisition of Chai for approximately US\$6.1 million. The dispensary has continued to perform well as expected within the Captor brand. The dispensary achieved just under US\$7 million in revenue for the 2018 calendar year. Captor plans to improve Chai's sales through the addition of a delivery license and increasing its sales floor space.

Captor was pleased to continue to expand its retail footprint in California with the acquisition of Higher Level of Care ("HLC") in Castroville California for a total purchase price US\$2.875 million. The purchase is conditional on the successful transfer of the license to one that allows the sale of recreational cannabis. Upon completion of the purchase, Captor will also be able to apply for a delivery license through HLC as the first step in improving the business.

Captor recently signed an LOI to acquire an entity that has a pending application for a recreational cannabis license in Goleta California. Upon issuance of the license Captor will acquire 99% of the entity for US\$1.3 million. The total purchase price is a partial cash and partial stock transaction.

The West Hollywood MedMen dispensary has been performing well throughout 2018. The dispensary has produced sales of US\$1,114,760 and US\$1,649,022 in July and August respectively. The West Hollywood store is on track to achieve US\$22 million in sales in the 2018 calendar year.

Captor was pleased to announce that a definitive agreement had been reached with MedMen to sell the Santa Ana location back to MedMen in an all stock transaction for approximately US\$16 million. The sale generates a strong return on investment for Captor shareholders since the acquisition of the dispensary by I-5 in 2017.

**Manufacturing Opportunities**

Captor announced the acquisition of Mellow Extracts LLC ("Mellow") on September 12, 2018 for 187,500 shares at a price of \$2.80 per share. Mellow extracts received its conditional use permit (CUP) from the city of Costa Mesa earlier this year. It is currently awaiting final fire inspections before becoming fully operational. Mellow will produce ultra-premium oil and provide service-for-hire extraction, as well as co-packing capacities for white label and private label cannabis brands focusing on cannabis extracts. Mellow currently has a committed book of purchase orders totaling approximately US\$500,000 per month in sales. This does not include the orders that are expected to come from the other dispensaries within the Captor brand. Additionally, Mellow currently has applications for three licenses in San Diego in conjunction with a local partner.

**Cultivation Opportunities**

Captor's wholly owned subsidiary (I-5 Holdings) is currently working with two cultivators in the State of Washington. Both are operating tier 2 licenses under their allowed 10,000 sq. ft. of cultivation space. The cultivators are currently producing approximately \$90,000 and \$155,000 per month in sales. Due to the regulatory framework in Washington State Captor cannot directly own the licenses and is currently working on formalizing the relationship through equipment and IP leaseback agreements.

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**Overall Outlook**

The investments and partnerships that Captor has created in this past quarter provide positive guidance in the remainder of the calendar year. With the focus being the retail market in California, and upon completion of the current pending retail acquisitions, Captor is poised to be one of the largest retail companies in the California market. Throughout the rest of 2018 Captor will continue to invest in additional retail opportunities within the market and utilize the incoming capital from the disposition of the Santa Ana MedMen location to further develop the current licenses under control. As Captor continues to expand it will look to create a brand of quality that will be recognizable across the state that customers will come to trust.

**Captor Investment Strategy**

Captor is seeking to create a brand that is known by its customers as one that provides a wide variety of products and a best in class customer experience. To achieve this, the primary mandate of the company is to acquire profitable, established cannabis focused companies that require capital to scale. As the Captor team continues to grow, and more expertise is added, Captor will look to further its investment opportunities by looking at only the most strategic of acquisitions as determined by a team with experience. To efficiently engage Captor's well-defined and deep pipeline of cannabis related targets, the Company will acquire them at favorable prices, and unlock the intrinsic value of these firms through operational enhancements.

Newly targeted acquisitions will be selected based off synergy with current existing brands or licenses, location, operational structure, and licensing regulations. Upon the completion of the transaction, the newly acquired company will be directly supported by Captor and integrated into the Captor family of brands. In certain situations, that will mean expanding production capacity, increasing retail floor space, applying for additional ad-on licenses, or restructuring the existing management of the license to become more efficient. The current target markets are California and Nevada as they are two of the biggest markets in the US right now with favorable licensing structure. As previously mentioned, Captor is continuing to assemble a team of experienced operators and managers to aid in expanding its geological footprint.

**Financial Highlights**

For the three months ended December 31, 2018, compared with the three months ended December 31, 2017:

For the three months ended December 31, 2018, the Company's net loss was \$3,668,578 (\$0.09 per share), compared to net loss of \$933,308 (\$0.10 per share) for the three months ended December 31, 2017. The increase in net loss of \$2,735,270 is a result of the following:

- During the three months ended December 31, 2018, unrealized loss in investment in MedMen Enterprises was \$2,800,000 due to change in the fair value of the investment in MedMen Enterprises.
- Unrealized loss in other investments increased to \$686,822 for the three months ended December 31, 2018 from \$445,342 for the three months ended December 31, 2017 due to changes in the fair value of the Company's other investments;
- General and administrative expenses increased from \$492,672 for the three months ended December 31, 2017 to \$1,283,365 for the three months ended December 31, 2018. The primary reasons for the increase of \$790,693 was \$640,151 in professional fees for services required to support execution of its business strategy and \$450,125 in shareholder information related to investor relations services.

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For the nine months ended December 31, 2018, compared with the nine months ended December 31, 2017:

For the nine months ended December 31, 2018, the Company's net loss was \$11,959,292 (\$0.31 per share), compared to net loss of \$5,201,720 (\$0.68 per share) for the nine months ended December 31, 2017. The increase in net loss of \$6,757,572 is a result of the following:

- During the nine months ended December 31, 2018, unrealized loss in investment in MedMen Enterprises was \$1,132,898 due to change in the fair value of the investment in MedMen Enterprises.
- During the nine months ended December 31, 2018, realized gain in investment in MedMen Enterprises was \$2,876,816 from the sale of 5,851,611 MedMen Enterprises shares during the 2018 period.
- Unrealized loss in other investments decreased to \$3,127,000 for the nine months ended December 31, 2018 from \$4,472,682 for the nine months ended December 31, 2017 due to changes in the fair value of the Company's other investments;
- General and administrative expenses increased from \$734,218 for the nine months ended December 31, 2017 to \$11,713,996 for the nine months ended December 31, 2018. The primary reasons for the increase of \$10,979,778 was the payment of business advisory fees of \$4,690,060 for the closing of the acquisition of I-5 Holding, share based compensation of \$2,518,500 from the grant of 1,825,000 stock options, \$1,030,807 in management and administrative services which included a bonus of \$880,000 to management and \$2,241,690 in professional fees for services required to support execution of its business strategy.

### **Liquidity and Financial Position**

As at December 31, 2018, the Company had a consolidated cash balance of \$15,143,836 compared to \$21,296,842 at March 31, 2018. The Company had a working capital of \$102,713,985 as at December 31, 2018, compared to a working capital of \$69,402,906 at March 31, 2018.

The activities of the Company are financed through the completion of equity offerings and the exercise of stock options and warrants.

Accounts payable and accrued liabilities increased from \$1,426,375 at March 31, 2018 to \$2,386,986 as at December 31, 2018. The increase is primarily a result of incurring of general and administrative expenses during the period.

As of December 31, 2018, and to the date of this Interim MD&A, the cash resources of the Company are held with select financial institutions in Canada. Accounts payable and accrued liabilities are in the ordinary course of business, short term and non-interest bearing.

The Company's use of cash at present occurs, and in the future is expected to occur, principally in two areas: the funding of its general and administrative expenditures and the funding of its investment activities. In connection with the Company's operating and investment activities, the Company will seek to raise capital primarily through the issuance of equity securities. No funds have been raised as of the date of this Interim MD&A.

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**Related Party Transactions**

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Fees	\$	\$	\$	\$
Kyle Appleby <sup>(1)</sup>	3,000	3,000	9,000	9,000
Alexander Dement'ev <sup>(1)</sup>	3,000	3,000	9,000	9,000
Alegana Enterprises Ltd. ("Alegana") <sup>(2)</sup>	54,999	54,999	1,044,997	164,997
2249872 Ontario Ltd. <sup>(3)</sup>	nil	21,000	(32,190)	63,000
Marrelli Support Services Inc. ("MSSI") <sup>(4)</sup>	4,500	4,500	13,500	13,500
Alexander Dement'ev <sup>(5)</sup>	15,000	nil	45,000	nil
<b>Totals</b>	<b>80,499</b>	<b>86,499</b>	<b>1,089,307</b>	<b>259,497</b>

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Share based compensation	\$	\$	\$	\$
Kyle Appleby	nil	42,750	69,000	42,750
Alexander Dement'ev	nil	37,050	34,500	37,050
Alegana	nil	114,000	345,000	114,000
Henry Kloeppep	nil	28,500	34,500	28,500
Jing Peng	nil	17,100	34,500	17,100
<b>Totals</b>	<b>nil</b>	<b>239,400</b>	<b>517,500</b>	<b>239,400</b>

(1) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at December 31, 2018, is \$33,350 (March 31, 2018 - \$42,000) due to directors of the Company.

(2) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. Alegana provides consulting services to the Company for \$220,000 a year under the terms of a written contract that runs for an indefinite term. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company. Alegana may receive, at the

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sole discretion of the board of directors, a performance bonus of up to 400% of the annual consulting fee payable by the Company to Alegana. Included in accounts payable and accrued liabilities as at December 31, 2018 owing to Alegana was \$1,726,365 (March 31, 2018 - \$669,150).

Upon termination of Alegana by the Company without cause or a termination following a change of control, the Company is obligated to pay Alegana: (a) 1.5 times Alegana's annual consulting fee; and (b) an amount equal to 1.5 times the amount of all bonuses John Zorbas received for the most recent calendar three months ended prior to the termination date or 2 times the amount of Alegana's annual consulting fee should John Zorbas not have received a bonus for the most recent calendar three months ended prior to the termination date. Upon termination of Alegana under any other circumstances, the Company is not obligated to pay Alegana any penalty.

- (3) 2249872 Ontario Ltd. is a company controlled by Henry Kloepper, the former CEO of Captor. The management fees to 2249872 Ontario Ltd. were for the CEO function performed by Mr. Kloepper which includes the day-to-day operations of the Company as well as an implementation of the Company's long and short term plans. During the three and nine months ended December 31, 2018, the Company reversed over accruals of \$nil and \$32,190, respectively. Included in accounts payable and accrued liabilities at December 31, 2018 was \$nil (March 31, 2018 - \$47,190) due to 2249872 Ontario Ltd. The Company has no ongoing contractual obligation or commitment to 2249872 Ontario Ltd.
- (4) Mr. Jing Peng, the Chief Financial Officer ("CFO"), is a senior employee of MSSl. The management fees paid to MSSl relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company's assets. Included in accounts payable and accrued liabilities at December 31, 2018 is \$2,500 (March 31, 2018 – \$8,042) owing to MSSl. The Company has no ongoing contractual obligation or commitment to MSSl.
- (5) Alexander Dement'ev, a director of Captor, was paid consulting fees for consulting services performed for the Company. Included in accounts payable and accrued liabilities at December 31, 2018 is \$5,660 (March 31, 2018 - \$nil) due to Alexander Dement'ev.

The Company is owed \$25,576 (March 31, 2018 - \$25,576) from a company related to Captor through common management. These amounts are included in the amounts receivable and prepaid expenses.

## **New Accounting Policies**

### (i) IFRS 9, Financial Instruments

Effective April 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

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Below is a summary showing the classification and measurement bases of our financial instruments as at April 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

<b>Classification</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Investments	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's March 31, 2018 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. Other investments and investments in I-5 Holdings Ltd., URU Metals Limited and MedMen Enterprises Inc. are designated as FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash and receivables are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

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Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income. When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

## **Recent Accounting Pronouncements**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following recent accounting pronouncement has not yet been adopted.

Leases ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

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Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

### **Disclosure Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date at and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Risks and Uncertainties**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's MD&A for the fiscal year ended March 31, 2018, available on SEDAR at [www.sedar.com](http://www.sedar.com).