BELGRAVIA
CAPITAL INTERNATIONAL

2018

Management's Discussion and Analysis

for the six months ended June 30, 2018

Form 51-102F1 – For the Period Ended June 30, 2018

Management's Discussion and Analysis

Belgravia Capital International Inc.

Hereafter called "Belgravia", the "Company", or the "Corporation"

(Containing information up to and including August 10, 2018)

Description of Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements of the Corporation for the period ended June 30, 2018 and audited consolidated financial statements of the year ended December 31, 2017. This MD&A was prepared as at August 10, 2018. This MD&A contains forward-looking information and statements, which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

All financial information is presented in Canadian dollars unless otherwise stated. All references to a year refer to the year-ended on December 31st of that year, and all references to a quarter refer to the quarter ended on June 30th of that year. The Corporation is a reporting issuer in Alberta, British Columbia, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and the Northwest Territories.

Unless otherwise noted, financial results are reported in accordance with International Financial Reporting Standards ("IFRS"). Further details are included in Note 2 of the condensed consolidated interim financial statements for the six months ended June 30, 2018.

Additional information related to the Corporation is available on SEDAR at www.sedar.com and on the Corporation's website at www.belgraviacapital.ca.

Company Overview

Belgravia is a Canadian corporation focused on its three core business divisions: Incubation, Investments, and Royalty & Management Services. All three divisions are high risk and expose the Company's shareholders to significant risk. Belgravia's Incubation division will develop new companies with a focus on the healthcare/biotech sector. Belgravia Holdings, the Investments division, provides merchant banking services and invests in a portfolio of private and public companies with a focus on licit cannabis, technology, and, on an opportunistic basis, resources. The Royalty and Management Services division has developed a targeted royalty and fee income model and will provide services to support the development of early-stage companies, while taking steps to ensure it receives the water royalties owned by the Company. Belgravia is a corporation governed by the Canada Business Corporation's Act. The shares of the Company are listed on the Canadian Securities Exchange ("CSE") and the OTC Market under the symbols BLGV and BLGVF respectively. The Company's registered office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

The Company may obtain financing through access to public and private equity markets, debt and partnerships or joint ventures.

Belgravia owns 100% of Intercontinental Potash Corp. ("ICP"), a Canadian company previously involved in resource exploration and mine development. On November 30, 2009, the Corporation completed a reverse-takeover ("RTO") with ICP. Legally, Belgravia is the parent of ICP, but for financial reporting purposes, Belgravia is considered to be a continuation of ICP.

Belgravia directly owns 100% of Belgravia Dermatology Inc., a Canadian company that is researching dermatology products and owns 100% of two other subsidiaries that were inactive in the quarter.

Forward-Looking Statements

This MD&A includes certain statements that may be deemed "forward-looking statements" as defined under applicable securities law. Other than statements of historical facts, statements in this discussion including, but not limited to, statements that address future research and investment plans and expected or anticipated events or developments are forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, market prices, continued availability of capital and financing, general economic, market or business conditions, statements regarding planned investment activities & related returns, trends in the markets for medicinal or recreational use of cannabis and cannabinoids, the timing or assurance of the legalization of recreational cannabis, research and development activities, the potential value of royalties from water and other resources, technological advancement, competition, other statements that are not historical facts, and the risk factors identified herein. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, including, but not limited to, changes in market trends, capital markets, the completion, results and timing of research undertaken by the Company, risks associated with resource assets, commodity prices, industry conditions, dependence upon regulatory, environmental, and governmental approvals, the uncertainty of obtaining additional financing, and risks associated with cannabis use for medicinal or recreational purposes. Other risks that could impact the Company's performance are described within this MD&A. These factors could also impact the Company's performance in the future and cause variances from period to period. Although the Corporation believes the expectations expressed in any forward-looking statement are based on reasonable assumptions, investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

Management's Responsibility for Financial Statements

The Company's management is responsible for the presentation and preparation of interim consolidated financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

Summary of Quarterly Results

Selected quarterly financial information of the Corporation for the quarters ended June 30, 2018 is as follows:

Table of Results for the Quarters to June 30, 2018

	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017
Total assets	$ 11,756,931	$ 11,899,601	$ 4,100,279	$ 640,022
Property, plant and equipment	$ 5,019	$ 1,125	$ 1,266	$ 1,494
Working capital	$ 11,684,883	$ 11,673,562	$ 3,476,189	$ (38,128)
Shareholders' equity (deficiency)	$ 11,689,902	$ 11,674,687	$ 3,477,455	$ (25,344)
Interest income	$ 2,893	$ 25,114	$ 539	$ 936
Net income (loss)	$ (596,851)	$ (3,495,591)	$ 3,354,442	$ (553,991)
Basic income (loss) per share	$ (0.001)	$ (0.01)	$ 0.014	$ (0.002)
Fully diluted gain (loss) per share	$ (0.001)	$ (0.01)	$ 0.014	$ (0.002)

Selected quarterly financial information of the Corporation for the quarters ended June 30, 2017 is as follows:

Table of Results for the Quarters to June 30, 2017

	June 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016
Total assets	$ 1,450,263	$ 1,385,112	$ 30,996,894	$ 78,791,565
Property, plant and equipment	$ 1,821	$ 2,127	$ 26,552,924	$ 76,096,393
Working capital	$ 535,499	$ 162,387	$ 790,051	$ 686,721
Shareholders' equity	$ 549,058	$ 164,516	$ (14,748)	$ 53,204,307
Interest income	$ 1,482	$ 1,406	$ 1,174	$ 722
Net loss	$ (302,350)	$ (10,904,752)	$ (57,871,301)	$ (2,386,356)
Basic loss per share	$ (0.001)	$ (0.05)	$ (0.31)	$ (0.01)
Fully diluted loss per share	$ (0.001)	$ (0.05)	$ (0.31)	$ (0.01)

Results of Operations for the Quarter ended June 30, 2018

The Company did not generate operating revenue during the quarter ended June 30, 2018 other than management services fees. The Company also earned investment and interest income.

Office and Administration Expenses

Administration and related costs amounted to $82,064 (2017 – $57,142) for the quarter. This included director fees, annual general meeting, insurance, telephone, postage and courier, dues and subscriptions, stationery, repairs and maintenance, utilities and related costs. The increase is due to increase in Directors and Officers insurance premium, director fees and fees paid to an advisory board member in the quarter.

Business development and market development spending for the quarter was $37,768 (2017 - $142,063). Business development costs included activities related to the search for partners as well as exploring new investment strategies, which has slowed down since the Ochoa project was sold.

Consulting fees in the quarter were $199,750 (2017 – $53,362); this was mostly in respect of strategy, management and capital markets consulting. This increase is due to more consulting related to capital markets, investing and the new business model. Part of the cost increase is from retaining additional consultants to provide services and to fulfil the Company's obligations under management services agreements. Some 2018 consulting fees were also recorded for the administrative activities of Belgravia Dermatology Inc., which was not active in 2017.

Depreciation during the quarter amounted to $470 (2017 - $258). This relates to depreciation of computer equipment.

Fundraising activities for the quarter was $nil (2017 – $145,974). This amount is for expenses related to identifying and meeting with potential investors. The company was not actively pursuing any financings in the quarter.

Investor relations cost in the quarter was $31,646 (2017 – $93,929). The Company reduced its investor relations activity in the quarter as it focused on other activities.

Professional fees of $74,284 (2017 – $119,119) for the quarter were incurred mostly in respect of auditing costs, other accounting costs, and legal costs. These costs were lower because the accrual for the 2018 audit has decreased due to the changes in the operations of the Company.

Regulatory fees including transfer agent and filing fees and CSE fees were $20,693 (2017 - $8,683). This increase due to fees from transfer agent in the quarter related to the shareholders' meeting.

Rent and storage in the quarter were $30,180 (2017 - $23,779).

Research costs in the quarter were $92,000 (2017 - $nil). This increase was because the research activities of Belgravia Dermatology Inc. did not start until 2018.

Share-based compensation for the quarter was $362,066 (2017 – $nil) due to stock options being granted in the quarter.

Travel, including related costs, for the quarter amounted to $1,898 (2017 – $25,378) and were composed of such costs not specifically related to investor relations and business development. The decrease is largely due to the sale of the Ochoa project resulting in less travel to the USA.

Wages and benefits for the quarter amounted to $221,551 (2017 – $171,553). This amount included the salaries and employment related costs of the President and Chief Executive Officer, Chief Financial Officer, Controller, Vice President, management and administrative staff. The increase is due salary raises for employees.

Management services revenue for the quarter was $313,333 (2017 - $nil). The increase is because the company started providing these management services and earning this revenue in late 2017.

Investment gain for the quarter was $206,994 (2017 – $17,500) including a $4,313 (2017 – $nil) gain from selling some investment shares, unrealized investment gains on equity and debt of $142,600 (2017 – $17,500) and unrealized investment gains from warrants that were included in investment units for $60,081 (2017 - $nil). Merchant banking activities began in mid-2017 and increased dramatically in early 2018 after the proceeds from the sale of the Ochoa project were received.

Interest income for the quarter was $2,893 (2017 - $1,482). The increase is because the company had excess uninvested cash resulting from the proceeds of the sale of the Ochoa project, the exercise of warrants and stock options, and the equity private placement financing that occurred during the last quarter.

Derivative gain for the quarter of $nil (2017 – $515,315) related to warrants being issued in a currency other than the functional currency of the Company. The decrease is because the functional currency was changed back to Canadian currency on October 31, 2017.

Investment Portfolio

The Company invests in a diversified portfolio of private and public companies and money market & bond funds with a focus on healthcare/biotech, technology, licit cannabis and, on an opportunistic basis, resources with a goal to provide a risk-appropriate return to its shareholders through capital gains in accordance with the Company's investment guidelines.

The fair values of the common shares of the publicly-traded companies have been directly referenced to published price quotations in an active market. The fair value of investments in private companies is referenced to the most recent equity financing completed by each private company.

During the quarter ended June 30, 2018, the Company recorded an unrealized gain of $142,600 (2017 – $17,500) for equity, debt and mutual fund investments and an unrealized gain of $60,081 (2017 - $nil) for warrants.

During the quarter ended June 30, 2018, the Company sold certain of its investments for proceeds totalling $56,080 (2017 - $nil) and recognized a gain of $4,313 (2017 - $nil).

The unrealized gain on investments during the quarter mainly results from a $250,000 unrealized gain on one investment because shares of the Company were issued as partial consideration for the investment at a deemed price that was higher than the market price at the investment date. This unrealized gain was offset by unrealized losses due to a decrease in the share price of one public company that is going through company-specific issues and a decrease in the value of one private company that completed a recent financing at a share price lower than what the Company paid. However, in general, the market trends related to market prices of the types of companies in which the Company invests (junior mining, licit cannabis, and technology companies) were negative during the quarter as evidenced by a roughly 8% decline in the TSX Venture Composite Index and a 15% decline in the CSE Composite Index during the quarter. The Company believes that there was a change in investor sentiment regarding licit cannabis and blockchain junior stocks in the first six months of 2018, which impacted their value and could continue to impact their value in the future.

As at June 30, 2018, fair value of the investments was $10,594,424 (2017 - $50,000). This includes the value of common shares, debt, and money market & bond funds of $9,859,218 (2017 - $50,000) and value of warrants of $735,206 (2017 - $nil). The Company has made diversified investments in the common shares of public and private companies in the areas of technology, blockchain, legal cannabis and mineral resources with a total approximate initial investment of $9.7 million. The value of investments was much lower in 2017 because the Company did not start its merchant banking activities until late 2017.

Belgravia currently holds sixteen investments in twelve public and four private companies. Subsequent to June 30, 2018, Belgravia liquidated its entire position in BlocPlay Entertainment Inc. The value of the investments in private companies might only be realized if those companies are sold or if they go public to create liquidity. Significant risk exists if the private companies do not go public and additional risk exists even if they are publicly traded. Updates are provided directly below for five core holdings.

Tartisan Nickel Corp. (CSE:TN):

Belgravia has commenced a lawsuit against Tartisan Nickel Corp. (“Tartisan”), a company in which Belgravia holds 7,624,000 common shares, and D. Mark Appleby. In the lawsuit, Belgravia claims for damages in the amount of $750,000 for negligent misrepresentation and breach of contract.

Belgravia also entered into a management services agreement with Tartisan (the “MSA”) to provide services and for which Tartisan was required to pay Belgravia amounts totalling $150,000. Tartisan has paid only $50,000 of this amount in breach of the MSA. These services included, but were not limited to, adding one board member, capital markets advisory, general and media awareness, and corporate governance.

A statement of defence and counterclaim seeking $1,050,000 in damages plus costs of the action was received by the Company on July 19, 2018.

On August 7, 2018, Belgravia issued an open letter to the shareholders of Tartisan notifying them that Belgravia will be attempting to replace the entire board of directors at the annual general and special meeting of shareholders scheduled for September 17, 2018.

R&D Pharma Corp.:

Belgravia has acquired 4 million (approximately 9% of the outstanding shares) of R&D Pharma Corp. ("R&D"), a private Canadian corporation developing a vertically integrated medicinal cannabis business in Jamaica. R&D is one of only three medical cannabis cultivation companies on the island, which has a full Tier 3 Cultivator's Licence. R&D is building its cultivation facilities and establishing international distribution relationships.

Belgravia is providing the company with business, finance, accounting and governance advisory services under a management services agreement. Belgravia is providing the services of its CFO to act as CFO of R&D under the terms of the management services agreement.

Zonetail Inc.:

Belgravia owns 3,066,666 shares of Zonetail Inc., representing approximately 5% of the outstanding common shares. Zonetail is the world's first free mobile app and platform, custom branded to hotels, which connects guests to the full range of hotel services and businesses in the surrounding neighbourhood. Zonetail recently closed its previously announced brokered private placement of 11,130,092 subscription receipts of for gross proceeds of $2,003,416 and is in the process of going public.

Belgravia is providing advisory services to Zonetail in respect corporate governance, business development, social media and web development pursuant to a management services agreement. One Belgravia employee and two consultants of Belgravia are active in providing these management services.

Blackrock Gold Corp. (TSX-V:BRC):

Belgravia owns 5,280,000 shares of Blackrock Gold Corp. ("Blackrock") representing approximately 14.3% of the outstanding common shares. Blackrock has three exploration projects. Two projects are located in British Columbia and one in Nevada. Two of Belgravia's consultants are providing services directly to Blackrock in the capacities of CFO and corporate development.

Nexus Gold Corp. (TSX-V:NXS):

Belgravia owns 2,709,000 shares of Nexus Gold Corp. ("Nexus") representing approximately 7% of the company's. Nexus is operating three gold exploration projects in Burkina Faso, West Africa. Belgravia also entered into a management services agreement with Nexus. Belgravia's senior executives are working with Nexus to identify growth and acquisition opportunities.

Royalty & Management Services Division:

Year-to-date Belgravia has been awarded management service contracts with a value of $1,040,000, of which $430,000 (2017 - $nil) has been recognized as revenue. These revenues increased because the Company was not offering such services in the first half of 2017. These services are in respect to business strategy, capital markets, public disclosure, governance and corporate personnel. Belgravia generally offers these advisory services, mentoring, and access to the Belgravia's network to its investees in order to help these companies succeed and develop, which results in increases to the value of Belgravia's investment. The Company uses consultants as needed to provide services under these management services agreements.

There is no assurance that the Company will continue to earn management services revenue as each agreement is negotiated on a one-off basis and generally for a period of less than 12 months. These revenues come from high risk companies that may default on payments under the management services agreements.

The Company holds an interest in up to USD$12.2 million of anticipated water and mineral royalties from its previously-owned Ochoa project. Belgravia is actively pursuing these royalties through the retention of a legal advisor. No royalties have been received to date.

Incubator Division Projects

The Company is doing research with the intention to develop and market healthcare products, none of which are reportable segments at June 30, 2018 due to the types and amount of expenditures to date. No costs have been capitalized as intangible assets on the statement of financial position because the research and evaluation is not complete and the Company has uncertainty about:

i. the technical feasibility of completing the intangible asset so it will be available for use or resale;
ii. its intention to complete and its ability to use or sell the asset;
iii. how the asset will generate future economic benefits; and
iv. the availability of resources to complete the asset.

Belgravia Dermatology Inc. ("BD")

The mission of BD is to develop cannabis-sourced molecules for use as active pharmaceutical ingredients in natural health products and in medications for dermatological conditions. The indications of interest include unmet medical needs in acne, atopic dermatitis, and psoriasis. Based on market studies, the initial focus of product development is acne with the active ingredient being Cannabidiol.

The Company previously announced that it appointed Dr. Sam Hanna as the Chief Medical Officer and a director of BD and also appointed Sidney Himmel and Mehdi Azodi as directors of BD.

BD has researched studies in the area of cannabis-sourced possible active pharmaceutical ingredients for the treatment of acne. Activity has been found for various cannabinoids, terpenoids, flavonoids, and related synthetic molecules that may affect endocannabinoid targets including CB-1, CB-2, the TRPV ion channels, and other cell receptors. Activation of these receptors would affect apoptosis, sebocyte differentiation, sebum production, and anti-infection cellular activities. All of the effects are important in the aetiology and therefore treatment of acne.

Having completed market studies and the identification of specific drug targets and related biomarkers for acne reduction efficacy, the Company is now defining specific drug delivery techniques which will allow for consistent dosing, a clearly defined therapeutic window for intradermal drug delivery, and the buttressing of intellectual property through correlating highly effective intradermal drug delivery technology with active pharmaceutical ingredients.

The next steps for BD involve pre-clinical and clinical studies, and examination of various delivery mechanisms. The Company plans to expend additional funds the advance this project subject to the results of research and development activities going forward.

The development of cannabis-related products in the dermatology space involves operating in highly regulated industries. Regulations include those written in respect of the Controlled Drugs and Substances Act, including the Access to Cannabis for Medical Purposes Regulations, the Narcotic Control regulations, the regulations of the Natural and Non-Prescription Health Products Directorate, and also the regulations of the Therapeutic Products Directorate under the Food and Drugs Act and Regulations.

For the 6 months ended June 30, 2018, the following expenditures have been made on behalf of BD:

	At December 31, 2017	At June 30, 2018	Change during the period
Administrative costs	$0	$41,000	$41,000
Research costs	0	$112,000	$112,000

Capitalized intangible assets	0	0	0
Total	$0	$153,000	$153,000

The Company is doing some preliminary initial research in healthcare products for urology as well, but no material costs have been incurred to date.

The Company is not actively working on developing any other projects internally, whether previously announced or not. In particular, after the Company's investigations, due to banking and regulatory restrictions as well as the high risk and cost involved, the Company is not internally working on any blockchain projects, including those that were previously announced by news release.

Financings

During the six months period ended June 30, 2018, the Company issued the following common shares:

- On January 10, 2018, the Company issued 133,990,000 units pursuant to a private placement at $0.05 per unit for gross proceeds of $6,699,500. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.18 per share until January 10, 2019, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds $0.21 for 18 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company issued 3,649,200 finder's warrants to certain eligible arm's length parties entitling the holder to acquire one Common Share for a period of 12 months at an exercise price equal to $0.19
- In the six months period ended June 30, 2018, the Company issued 2,400,000 shares at an average price of $0.095 for gross proceeds of $228,000 pursuant to the exercise of stock options.
- In the six months period ended June 30, 2018, the Company issued 30,843,810 shares at $0.08 for gross proceeds of $2,467,505 pursuant to the exercise of warrants.
- In the six months period ended June 30, 2018, the Company issued 280,000 shares at $0.06 for gross proceeds of $16,800 pursuant to the exercise of broker warrants.
- On May 24, 2018, the Company issued 5,000,000 shares at a deemed price of $0.10 per share with a deemed value of $500,000 as consideration to acquire 2,000,000 common shares of R&D Pharma Corp. The shares of the Company had a market price of $0.05 on that date, so the investment was initially recorded at $250,000 and an immediate unrealized gain of $250,000 was recorded on the transaction date.

During the six months period ended June 30, 2017, the Company issued the following common shares:

- On January 24, 2017, the Company issued 200,000 shares at $0.08 for gross proceeds of $16,000 pursuant to the exercise of warrants.
- On March 1, 2017, the Company issued 6,573,333 units pursuant to a non-brokered offering at $0.105 per unit for gross proceeds of $690,200. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.16 per share until March 1, 2018. In November 2017, the exercise price of these warrants was amended to be $0.08 per share. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of $504.
- On April 5, 2017, the Company issued 31,500 shares at $0.065 for gross proceeds of $2,048 pursuant to the exercise of broker warrants.

- On May 3, 2017, the Company issued 785,089 shares at $0.065 for gross proceeds of $51,031 pursuant to the exercise of broker warrants.

- On June 27 and June 28, 2017, the Company issued an aggregate of 16,738,808 units pursuant to a non-brokered offering at $0.05 per unit for gross proceeds of $836,940. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for $0.08 per share until June 28, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds $0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of $14,000 and issued 280,000 broker warrants entitling the broker to acquire one Common Share for a period of 12 months at an exercise price equal to $0.06.

Liquidity and Capital Resources at June 30, 2018

At June 30, 2018, the Corporation's working capital was $11,684,883 (2017 – $162,387). Investments in private and junior public companies that are included in working capital may not be liquid in the short term and present greater risk to Belgravia and its shareholders. The sources of cash in the period included cash from Settlement Agreement with ICP(USA), issuing common shares, warrants exercised, stock options exercised, management services consulting fees, proceeds from the sale of investments, and interest earned on cash in the bank accounts.

The consolidated financial statements for the period ended June 30, 2018 have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. This MD&A does not give effect to any adjustment which would be necessary should the Corporation be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in this MD&A.

Transactions with Related Parties

In July 2015, the Company signed a Termination and Settlement Agreement that included a severance payment to be paid to the former President and Chief Executive Officer: The full amount of the severance of $2,100,000 was expensed during the year ended December 31, 2015. As at June 30, 2018, the balance of employment liability is $nil (2017- $570,000), after paying the remaining balance in January 2018.

During the six months period ended June 30, 2018, the Company entered into the following transactions with related parties:

a) Paid or accrued short-term employee benefits of $532,000 (2017 - $271,011), of which $422,000 (2017 - $132,000) was paid to Mehdi Azodi, $nil (2017 - $62,011) was paid to Ken Kramer, and $110,000 (2017 - $77,000) was paid to Kevin Strong.

b) Paid consulting fees of $nil (2017 - $115,754) to Graham Wheelock.

c) Paid or accrued directors' fees, included in administrative costs, of $189,250 (2017 - $70,000), of which $51,750 (2017 - $22,500) was for Ernest Angelo, $45,000 (2017 - $9,000) was for Knute Lee, $45,000 (2017- $9,000) was for Pierre Pettigrew, $47,500 (2017 - $25,000) was for John Stubbs, and $nil (2017 - $4,500) was for Grant Sawiak.

d) Incurred share-based compensation in the form of stock options valued at $1,952,868 (2017 - $273,927), of which $578,193 (2017 - $42,561) was to Mehdi Azodi, $286,377 (2017 - $42,561) was to John Stubbs, $396,131 (2017 - $26,600) was to Pierre Pettigrew, $250,448 (2017 - $42,561) was to Ernest Angelo, $248,791 (2017 - $26,600) was to Knute Lee, $192,928 (2017- $17,227) was to Kevin Strong, $nil (2017- $49,217) to Sidney Himmel, and $nil (2017 - $26,600) was to Grant Sawiak.

e) Included in accounts payable as at June 30, 2018 is $275 (2017- $48,931) due to key management personnel, which includes officers and directors and corporations controlled by officers and directors.

f) Included in prepaid expenses as at June 30, 2018 is $39,315 (2017- $84,567) prepaid to key management personnel, which includes officers and directors and corporations controlled by officers and directors.

Key management personnel compensation (including senior officers and directors of the Company):

	Six-month ended	
	June 30, 2018	June 30, 2017
Short-term benefits *	$ 532,000	$ 271,011
Consulting fees	-	115,754
Directors' fees **	189,250	70,000
Share-based compensation	1,952,868	273,927
Total remuneration	$ 2,674,118	$ 730,692

* Amounts are included within wages and benefits on the statement of loss and comprehensive loss.
** Amounts are included within administration on the statement of loss and comprehensive loss.

Financial Instruments

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash and cash equivalents, investments, receivables, accounts payable and accrued liabilities.

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. Investments in public companies, mutual funds, money market funds and fixed income funds are measured at level one while investments in warrants and private companies are measured at level three. The warrant liability and embedded derivative are categorized as level three. The carrying value of receivables, accounts payable and accrued liabilities and employment liability approximate fair value because of the short-term nature of these instruments.

Other

Outstanding Share data as at August 10, 2018:

(a) Authorized and issued share capital at August 10, 2018:

Class	Par Value	Authorized	Issued Number
Common	No Par Value	Unlimited	411,354,656

(b) Summary of Options outstanding as at August 10, 2018:

Number of Options		Exercise Price (CAD)	Expiry Date
250,000	$	0.12	November 14, 2019
500,000	$	0.10	November 24, 2019
350,000	$	0.10	February 14, 2020
200,000	$	0.10	March 1, 2020
9,900,000	$	0.18	January 10, 2021
1,000,000	$	0.18	January 16, 2021
250,000	$	0.14	January 23, 2021
250,000	$	0.14	January 30, 2021
100,000	$	0.13	February 9, 2021
1,250,000	$	0.08	April 16, 2021
250,000	$	0.08	April 30, 2021
9,100,000	$	0.08	June 6, 2021
300,000	$	0.08	July 12, 2021
3,900,000	$	0.10	February 14, 2022
7,400,000	$	0.14	January 23, 2023
4,000,000	$	0.08	April 16, 2023
39,000,000			

(c) Warrants outstanding as at August 10, 2018:

The Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Expiry Date
133,990,000	0.18	January 10, 2019
133,990,000		

(d) Broker warrants outstanding as at August 10, 2018:

The Company had broker warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Broker Warrants	Exercise Price	Expiry Date
3,649,200	0.19	January 10, 2019
3,649,200		

Accounting Principles

The financial statements have been prepared in accordance with IFRS.

The policies and estimates are considered appropriate under the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. See also Note 2 in the condensed consolidated interim financial statements for the six months period ended June 30, 2018 and also the consolidated financial statements for the year ended December 31, 2017 for additional detail on accounting principles.

Foreign currency translation

The consolidated interim financial statements are presented in Canadian dollar. Prior to November 1, 2017, the functional currency of the Company and its subsidiaries was the U.S. dollars. The Company and its subsidiaries' functional currency changed on a prospective basis from the U.S. dollar to Canadian dollar to better reflect the Company's business activities.

Transactions in foreign currencies are translated into the entity's functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the Canadian dollar are translated using the exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates in effect at the date of the underlying transaction, except for depreciation related to non-monetary assets, which is translated at historical exchange rates. Exchange differences are recognized in the statements of loss and comprehensive loss in the year in which they occur.

New standards, amendments and interpretations:

Effective January 1, 2018

IFRS 9 - Financial Instruments: Classification and Measurement. IFRS 9 is a new standard that will replace IAS 39. IFRS 9 introduces new requirements for the classification and measurement of financial instruments as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows in the form of principal and interest otherwise it is at fair value through profit or loss ("FVTPL"). The adoption of IFRS 9 did not have an impact on the Company's consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2019

IFRS 16 – Leases. IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2019 and is currently evaluating the potential impact of the adoption of IFRS 16.

Risks and Uncertainties

Credit risk
The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held at reputable financial institutions, from which management believes the risk of loss to be remote. Receivables consist primarily of amounts due from government agencies, from loans outstanding to employees and consultants, and from management services clients, which the Company believes will be fully collected, however there is a risk of non-payment from the management services clients.

Liquidity risk
As at June 30, 2018, the Company had a cash and cash equivalents balance of $793,666 to settle current liabilities of $67,029. The Company is not subject to liquidity risk.

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest some of excess cash in investment-grade highly liquid demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as cash deposits are payable on demand and the Company currently does not carry interest bearing debt at floating rates. Fluctuations in interest rates may impact the value of the Company's investments in publicly traded common shares.

Foreign currency risk

The Company's functional currency is the Canadian dollar; however, there are transactions in U.S. dollars and the Company keeps some of its cash in US currency. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 10% change in the foreign exchange rate would have had an approximate $190,000 impact on foreign exchange gain or loss.

Market and Investment risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from their carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Additionally, current market prices may differ significantly from the historical prices used to calculate fair value for the purposes of the Company's financial statements. The Company's investments are accounted for at fair value and are sensitive to changes in market bid prices, such that market trends and changes in market prices result in a proportionate change in the carrying value of the Company's investments.

The Company's results of operations and financial condition are dependent upon the market value of the securities that comprise the Company's investment portfolio. Market value can be reflective of the actual or anticipated operating results of the Company's portfolio companies and/or the general market conditions that affect the sectors in which the Company invests. The Company's investments are primarily concentrated in the junior healthcare, natural resource, and technology industries, which results in exposure to higher volatility and risk than broader market investments and indexes. The value of any or all of the Company's investments could become zero in the future. There are various factors that could have a negative impact on investee companies and thereby have an adverse effect on the Company. Additionally, the Company's investments are mostly in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so. Technology and resource companies may never achieve success. This may create an irregular pattern in the Company's revenues (if any). Macro factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, thereby negatively impacting one or more of the portfolio companies concurrently. Company-specific risks, could have an adverse effect on one or more of the Company's portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect the Company's investments may have a materially adverse impact on its operating results.

The Company holds investments in private and publicly-traded equity securities. Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject securities could be subject to wide fluctuations in response to various factors beyond the control of the Company, including quarterly variations in the subject entities' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years, equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results

Some investments may not be very liquid and dispositions may take time or may be sold at less than market prices. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of the Company's private company investments or that the Company will otherwise be able to realize a return on such investments. The Company also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

Investments may include debt instruments and equity securities of companies that Belgravia does not control. These instruments and securities may be acquired by the Company in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments could decrease and the Company's financial condition, results of operations and cash flow could suffer as a result.

A 10% change in the fair values of the Company's investments at June 30, 2018 would have an $1,060,000 impact on results from operations.

Operating History and Expected Losses

The Corporation has a limited history of operations and no material earnings to date and there can be no assurance that the business of the Corporation will be successful or profitable. No dividends have been paid to date. Payment of any future dividends, if any, will be at the discretion of the Company's board of directors.

The Company expects to make significant investments in its subsidiaries in order to develop healthcare products, undertake marketing efforts, improve its operations, and conduct research and development. As a result, start-up operating losses are expected in these subsidiaries and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company. As these projects are at an early stage, they may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

The Corporation may need additional funding to complete its short and long-term objectives. The ability of the Corporation to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Corporation. Global financial conditions are subject to high volatility, thus access to public financing may be negatively impacted. There can be no assurances that the Corporation will be successful in its efforts to raise additional financing on terms satisfactory to the Corporation. The market price of the Corporation's shares at any given point in time may not accurately reflect the long-term value. If adequate funds are not available or not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties. The Company may be unable to attract or retain key personnel with sufficient experience.

Research and Development Activities
There is no assurance that the results of the Company's research and product development activities will be successful. The Company may abandon or modify its research and/or development efforts for many reasons including, but not limited to, changes in corporate business strategy, competition, lack of capital resources, inability to obtain necessary licenses or find partners with licenses necessary to do the remaining research and development work, unfavourable changes to regulation, negative changes in consumer attitudes towards the Company's products being developed, problems obtaining its own intellectual property or licenses necessary to produce its products, or unfavourable results of any research or development or clinical trial activities undertaken (i.e. the product does not appear to have the efficacy necessary to treat the condition).

Licenses, Patents and Proprietary Rights
The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

Regulatory & Legal Risks
The Company is subject to a number of technological challenges and requirements, and can be subject to the regulations and standards imposed by applicable regulatory agencies. There can be no assurance that the Company will be able to comply with all regulations concerning its businesses.

Various federal, state or provincial and local laws govern the Company's business in the jurisdictions in which it operates or proposes to operate, or to which it exports or proposes to export our products, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of its products and of certain material used in its operations. Compliance with these laws and regulations requires concurrent compliance with complex federal, provincial or state and local laws. These laws change frequently and may be difficult to interpret and apply. Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that it is not in compliance with these laws and regulations could harm its brand image and business. Moreover, it is impossible for the Company to predict the cost or effect of such laws, regulations or guidelines upon its future operations. Changes to these laws or regulations could negatively affect the Company's competitive position within our industry and the markets in which it operates

Reliance on Key Personnel and Advisors
The Company relies heavily on its officers and is dependent upon the services of key executives, including the Chief Executive Officer. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Litigation
The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect The Company's ability to continue operating and the value of the common shares of The Company and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Other risks
To the extent of the holdings of the Company through its subsidiaries, the Company will be dependent on the cash flows of these subsidiaries to meet its obligations, which cash flows may be constrained by applicable taxation and other restrictions.

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

There are specific risks associated with some of the industries in which the Company invests, including legal cannabis, technology, blockchain and natural resources.

Risks Related to the Medical Cannabis Industry

The Legal Cannabis Market
The medical cannabis industry and market are relatively new in Canada and the U.S., and this industry and market may not continue to exist or grow as anticipated. The Company makes investments in companies and is internally creating products in a relatively new licit cannabis industry and market.

In addition to being subject to general business risks, the Company will need to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote its products as effectively as intended, or at all. Competitive conditions, consumer preferences, patient requirements and pending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the cannabis industry and market could have a material adverse effect on The Company's investments, business, financial condition and results of operations.

The licit cannabis market in Canada may become oversupplied in anticipation of, or following the implementation of, the Cannabis Act and the related legalization of cannabis resulting in a significant decline in the market price for cannabis products.

The Company and its investees are constrained by law in their ability to market their products in Canada.

United States Federal Overview
Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth. Cannabis Laws may be subject to change in the U.S.

In the U.S., 29 states and Washington D.C. have legalized medical marijuana, while nine states and Washington D.C. have also legalized adult-use cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the U.S. Controlled Substance Act of 1970 (the "CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis products remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While technically illegal, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("DOJ") issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or adult-use cannabis programs. The Cole Memorandum, while not legally binding, assisted in managing the tension between state and federal laws concerning state-regulated cannabis businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by the Attorney General Jeff Sessions. While this did not create a change in federal law - as the Cole Memorandum was not itself law - the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement

priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that cannabis is a Schedule I controlled substance, and states the statutory view that it is a "dangerous drug and that cannabis activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In Nevada, the U.S. Attorney has yet to make any comments regarding the revocation of the Cole Memorandum or indicate any changes to enforcement priorities.

The federal government of the U.S. has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use cannabis, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the U.S., could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memo") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing cannabis-related businesses if the underlying cannabis business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions. Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative

safeguard for the medical cannabis industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "Rohrabacher-Farr Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. Since October 1, 2017, the U.S. federal government has been temporarily appropriated under a series of continuing budget resolutions. Because the 2017 Consolidated Appropriations Act has been extended until September 2018 under a continuing budget resolution, the Rohrabacher-Farr Amendment is still in effect.

Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memorandum, The Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its activities are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted for adult-use, the products are only sold to individuals who meet the requisite age requirements);
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures in place to ensure that revenue is not distributed to criminal enterprises, gangs or cartels;
- implement adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on The Company's business, revenues, operating results and financial condition as well as The Company's reputation, even if such proceedings were concluded successfully in favour of The Company.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. The Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of The Company to declare or pay dividends, effect other distributions or

subsequently repatriate such funds back to Canada. Furthermore, while The Company has no current intention to declare or pay dividends on its common shares in the foreseeable future, The Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Nature of The Company's Involvement in the U.S. Cannabis Industry
The Company does not conduct cannabis-related activities in the United States ("U.S.") except to the extent, if any, that holding non-controlling investments in entities directly involved in the U.S. cannabis industry constitutes conducting cannabis-related activities.

The Issuer has no, and is not contemplating any, direct involvement in the cultivation, possession or distribution of cannabis in the U.S. and does not provide goods or services to any entity that cultivates or distributes cannabis in the U.S.

The Issuer holds less than 1% of the outstanding shares in two companies with operations in the U.S. Planet 13 Holdings Inc. is a CSE-listed public company that distributes cannabis products only in the state of Nevada. Plus Products Holdings Inc. is a private California company is based in Palo Alto, California that produces cannabis-infused edible products for sale only in the state of California.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company or its investees, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change, or may not proceed as previously outlined.

The Company's minority investments in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those state's where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

In addition, the Company will continue to ensure that its investments in the U.S. are in compliance with applicable licensing requirements and the regulatory framework enacted in such States either by way of a review of such entities licenses or affirmation certifications from management. The Company will only invest in companies that are legally operating in the relevant U.S. States. The Company will continue to monitor, evaluate and re-assess the regulatory framework.

Heightened Scrutiny and Canadian Securities Regulatory Matters
For the reasons set forth above, the Company's activities (investing in companies that operate in the U.S. or possible future sales of its own products in the U.S.) in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a

solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares of the Company to make and settle trades. In particular, the Company common shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of such shares through the facilities of a stock exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares of The Company to make and settle trades. In particular, The Company common shares would become highly illiquid because until an alternative was implemented, investors would have no ability to effect a trade of such shares through the facilities of a Canadian stock exchange.

Risks Relating to Medical Cannabis in Canada

Cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but Canadian courts have required reasonable access to a legal course of cannabis when authorized by a healthcare practitioner.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis. On December 13, 2016, the Task Force published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act (Canada), to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. It is unknown whether these regulatory changes will be implemented. Several recommendations from the Task Force reflected in the Cannabis Act (Canada) including, but not limited to, permitting home cultivation, potentially easing barriers to entry into the Canadian recreational cannabis market and restrictions on advertising and branding, could materially and adversely affect the business, financial condition and results of operations of market participants. Their advice will be considered by the Government of Canada as a new framework for recreational cannabis is developed and it is possible that such developments could significantly adversely affect the business, financial condition and results of operations of market participants.

On October 3, 2017, the Parliamentary Standing Committee on Health (the "HESA") proposed amendments to the Cannabis Act (Canada) to provide, among other things, that edibles containing cannabis and cannabis concentrates would be added to the classes of cannabis an authorized person may sell. In addition, HESA's proposed amendments provide that a framework for sale of edibles and cannabis concentrates would be implemented within a year of the Cannabis Act (Canada) coming into force. HESA's proposed amendments were incorporated Bill C-45, which was passed by the House of Commons on November 27, 2017. Bill C-45 is currently before the Senate.

On November 10, 2017, the federal Department of Finance issued legislative and regulatory proposals for the taxation of cannabis. The proposed rules would effectively place cannabis producers within the existing rules that currently apply excise duties on tobacco, wine and spirits producers under the Excise Act, 2001 (Canada), with modifications as applicable. These rules include a new tax licensing regime for cannabis producers, stamping and marking rules, ongoing reporting requirements, and applicable excise duties payable by licensed cannabis producers on both recreational and medical cannabis products, in addition to GST/HST under the Excise Tax Act (Canada). The cannabis excise duty framework is proposed to generally be in effect by the date that legal cannabis for non-medical purposes becomes accessible for retail sale under the proposed Cannabis Act (Canada).

In June 2018, the government of Canada passed Bill C-45, or the Cannabis Act, the Canadian federal legislation allowing individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for adult use in Canada. It is expected that the Cannabis Act will become effective in October 2018. As a result, individuals who currently rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products. Factors that will influence this decision include the price of medical cannabis products in relation to similar adult-use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult-use cannabis products, the types of cannabis products available to adult users and limitations on access to adult-use cannabis products imposed by the regulations under the Cannabis Act and the legislation governing distribution of cannabis that is expected to be enacted by the individual provinces and territories of Canada. These factors will not be ascertainable by us until after the regulations under the Cannabis Act and the individual provincial and territorial legislation providing for the legalization of adult-use cannabis are implemented.

A decrease in the overall size of the medical cannabis market as a result of the adoption of the Cannabis Act and the legal adult-use market in Canada may reduce the Company's medical sales and revenue prospects in Canada. Moreover, in conjunction with the implementation of the Cannabis Act, the ACMPR regulation of cannabis for medical purposes is expected to be reviewed. The effect on our business, and the medical cannabis market in general, of such a review is uncertain.

The proposed Cannabis Act (Canada) is not yet in force. There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur on the terms in the proposed Cannabis Act (Canada) or at all, and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain.

The Company, or its subsidiaries, may be subject to product liability claims or regulatory action if its products are alleged to have caused significant loss or injury. This risk is exacerbated by the fact that cannabis use may increase the risk of serious adverse side effects.

The Company may not be able to obtain adequate insurance coverage in respect of the risks, the premiums for such insurance may not continue to be commercially justifiable or there may be coverage limitations and other exclusions which may result in such insurance not being sufficient to cover potential liabilities.

Regulatory risks related to the cannabis industry

The cannabis sector is a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management of The Company may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of The Company. Further, The Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on The Company's financial statements also could occur for the period in which the effect of an unfavourable final outcome becomes probable and reasonably estimable.

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of The Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce The Company's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of The Company and which cannot be reliably predicted.

The Company does not expect to derive a large proportion of its revenues or investment gains from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use cannabis even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against The Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

In addition, the export and import of medical cannabis is subject to United Nations treaties establishing country-by-country quotas and export and import permits are subject to these quotas which could limit the amount of medical cannabis the Company can export to any particular country.

Cannabis-related products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.

Risks Relating to the Licensing Process in Canada

The laws, regulations and guidelines generally applicable to the medical cannabis industry in Canada and other countries may change in ways that impact our ability to continue our business as currently conducted or proposed to be conducted. The successful execution of our business objectives is contingent upon compliance with all applicable laws and regulatory requirements in Canada and other jurisdictions, and obtaining all other required regulatory approvals for the development, production, sale, import and export of our medical cannabis products. Failure to comply with applicable regulations or good manufacturing processes could prevent the Company from being able to carry on its business

The medical cannabis rules in Canada are constantly changing following the major changes to the governing regulations in the industry. As a result, patient and producer rights are in flux. The future business endeavors of The Company may be subject to receiving regulatory certification or accreditation through Health Canada, or any other applicable regulatory authority. Such licensing, certification or accreditation may include, but not be limited to: licenses issued under the Controlled Drugs and Substances Act and the Narcotic Control Regulations, GMP Certification and ISO certification. These licensing requirements are stringent and there is no guarantee that the regulatory authorities will issue, extend or renew any license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms as initially granted. Failure to comply with the requirements of a license or

any failure to maintain a license would have a material adverse impact on the business, financial condition and operating results of The Company which could lead to a significant decline in the value of The Company.

The Company and some of its investees are dependent upon regulatory approvals and licenses for their ability to grow, process, package, store, sell and export medical cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal. The Company's ability to process, package, store and sell cannabis-related products for medical purposes in Canada is dependent on obtaining a Health Canada license under the ACMPR covering its production facility that would allow it to produce, sell and distribute, for medical purposes, cannabis products. The Company may also be required to obtain a license under Canada's Narcotic Control Regulations to get the ability to import and export medical cannabis products to and from specified jurisdictions around the world, subject to obtaining, for each specific shipment, an export approval from Health Canada and an import approval from the applicable regulatory authority in the country to which the export is being made. All licenses are subject to ongoing compliance and reporting requirements and renewal. There can be no assurance that licenses will be obtained, nor can there be any assurance that Health Canada will continue to issue export permits on the same terms, or that other countries will allow, or continue to allow, imports.

The Company may compete for market share with other companies, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. The Company expects to face intense competition from other companies operating in the same industry, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, there is potential that the medical cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and product offerings that are greater than those of the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed on terms it considers acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's business, financial condition and results of operations.

As well, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of cannabis for medical purposes in some form or another. Increased international competition and/or limitations placed on the Company by Canadian regulators may lower the demand for the Company's products on a global scale. The Company may seek to expand its business and operations into jurisdictions outside of Canada and the U.S. and there are risks associated with doing so and there can be no assurance that any market for The Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

The legal cannabis industry in the United States and Canada is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Public opinion and support for medical and recreational cannabis use and use of cannabis-infused products has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and recreational cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization.

There has been limited study on the effects of medical cannabis and future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis. Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as cannabidiol, or CBD, and tetrahydrocannabinol, or THC) remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted.

The Company believes its business will be highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis and cannabis-related products produced. Consumer perception of cannabis products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media

attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company.

The Company's and its investees' dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for medical cannabis products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's or its investees' products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Corporate Governance Practices

The disclosure required pursuant to National Instrument 58-101-Disclosure of Corporate Governance Practices was made by the Corporation in its Management Information Circular which was mailed to shareholders and is accessible via the Internet for public viewing on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. Actual results could differ from those estimates.

Other Information

The Corporation's website address is www.belgraviacapital.ca. Other information relating to the Corporation may be found on SEDAR at www.sedar.com.