ELIXXER LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and fifteen months ended December 31, 2019 and three and twelve months ended September 30, 2018

As at June 15, 2020

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The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Elixxer Ltd. ("Elixxer" or the "Company") covers the three and fifteen months ended December 31, 2019 and the three and twelve months ended September 30, 2018. It should be read in conjunction with the accompanying audited consolidated financial statements of the Company for the fifteen months ended December 31, 2019 and audited consolidated financial statements and related notes for the year ended September 30, 2018.

The audited consolidated financial statements of the Company for the fifteen months ended December 31, 2019 and twelve months ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted. Certain dollar amounts in this MD&A are expressed in United States dollars ("USD"), Australian dollars ("AUD"), Euros ("EUR") and Swiss Franc ("CHF").

Forward-Looking Statements

Certain of the information contained in this MD&A may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate", "seek", "forecast" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the heading "Risk Factors and Risk Management" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

Overview

Elixxer was incorporated under the *Canada Business Corporations Act* on July 9, 2004. Elixxer is a publicly listed company, and its common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "ELXR" ("LG" prior to August 6, 2019, "QBA" prior to September 18, 2017 and "KWC.H" prior to July 12, 2016).

The registered office of the Company is at 800 Square-Victoria, Suite 3700, Montreal, Québec H4Z 1E9, Canada.

The Company, and its wholly owned subsidiaries LGC Finance Limited ("LGC BVI"), LGC Capital EU OU ("LGC Estonia") and LGC Capital Spain, S.L. ("LGC Spain"), are collectively referred to as the "Company" in this MD&A.

Going Concern Uncertainty

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Company has not earned significant revenues and is considered to be in the development stage. Operating and administration expenditures comprise a significant portion of the Company's activities. Investing in the legal cultivation and production of cannabis products is highly speculative and involves inherent risks.

The Company's current committed cash resources are insufficient to cover expected expenditures for the next 12 months. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to

satisfy its liabilities as they become due. There can be no assurance that management will be successful in securing adequate financing. In addition, while the Company's future development activities in relation to its cannabis investments look promising, there can be no assurance that the results of its investment strategies will be successful in the near term.

The Company reported a net loss and total comprehensive loss in the fifteen months ended December 31, 2019 of $23,423,121 and $23,400,375, respectively (year ended September 30, 2018 of $16,530,002 and $15,616,513, respectively). As at December 31, 2019, the Company's current liabilities exceeded its current assets by $7,886,799 (September 30, 2018 – current assets exceeded current liabilities by $3,713,461). These recurring losses and the need for continued financing to further successful and development activities indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

These audited consolidated financial statements do not give effect to any adjustments to the carrying values and classifications of assets and liabilities that might be necessary, if the Company is unable to continue as a going concern. Such adjustments could be material.

Description of the Company's Business

Elixxer is a leading cannabis investment firm with a focus on the Legal Global Cannabis market. The Company invests in cannabis related businesses which are fully licenced for cultivation, production and/or sale of cannabis and cannabis derived products. The Company has an investment mandate to invest in downstream activities including distribution and retail and development of market brands. To date, the Company has significant positions in emerging legal cannabis companies in Australia, Canada, Switzerland, Italy and Jamaica. Current Investments are mainly focused on medical cannabis and specialty cannabis derived products in the pharmaceutical sector The Company does intend to play a more involved role in the businesses it invests in, to fully realise the economic potential of those investments.

Legal Cannabis Sector

Elixxer's focus is to identify opportunities to support growth and synergistic relationships within its existing investment platform and to position itself to capitalise on the rapidly changing landscape for the cannabis sector as legislation, regulations and customer behaviour change over time. The Company intends to focus specifically on areas where legislation and regulations are clear, particularly in the areas of medical cannabis, the niche pharmaceutical sector along with a more involved role on the retail end of the sector in order to fully understand and capitalise on the needs of patients and customers. To date, the Company has completed, or is in the advanced stage of completing investments which are set out in the Investments & Other Activities section below.

Investment and Other Activities

Elixxer's significant investments and activities in the legal cannabis sector, as at June 15, 2020, are as follows:

Australia

Little Green Pharma Limited ("Little Green Pharma"):

Little Green Pharma is the first and only Australian licensed cannabis producer that is permitted to grow and sell Australian grown medical cannabis products.

In April 2018, Little Green Pharma achieved the significant milestone of its first harvest of medical cannabis as a result of its first planting in December 2017. This was followed by a subsequent second harvest in August 2018 with further processing taking place at its processing facility in Perth.

In August 2018, Little Green Pharma became the first company permitted by Australia's Therapeutic Goods Administration to sell Australian grown medical cannabis products. This represented a great achievement for Little Green Pharma as all of their Australian competitors are only permitted to sell imported products or to do research and development only with their medical cannabis. In October 2018, Little Green Pharma's products were accepted into the New South Wales state-wide clinical trial for advanced cancer.

As at May 14, 2019, Little Green Pharma had acquired over 400 medical cannabis patients in Australia's fast-growing medical cannabis program and in addition to Australia, Little Green Pharma has distribution agreements set up with companies in the UK, Germany, Canada and New Zealand.

On May 22, 2019, the Company announced it had an agreement to acquire, from a non-executive founder, additional shares in Little Green Pharma that would increase its equity ownership from 14.06% up to 40.4% on completion.

The Company held 28,133,495 shares in Little Green Pharma, representing a 38.11% equity interest as at December 31, 2019 (14.21% - September 30, 2018).

On August 2, 2019, the Company announced that, following receipt of conditional approval by the TSX-V, it subscribed for convertible notes (the "Notes") of Little Green Pharma in the aggregate amount of AUD800,000 (approximately $717,000). This private placement of Notes was completed in early August 2019. The Notes were issued by LGP as part of a larger AUD9,000,000 offering, lead by Canaccord Genuity (Australia) Limited. The Notes bear interest at the rate of 10% per annum and have a maturity date of July 31, 2020. The Notes are convertible into ordinary shares of LGP upon LGP completing a qualifying initial public offering, a qualifying financing or an asset or share sale.

In relation to a qualifying initial public offering, 50% of the Notes shall automatically convert at AUD0.30 per common share and the remaining 50% of the Notes shall convert at the higher of AUD0.30 per common share and 70% of the Initial public offering ("IPO") price per common share. The capital raised will provide LGP with funding to substantially expand its production capacity and execute on its longer-term vision of optimising drug delivery technologies for cannabinoid therapies from high-quality, domestically cultivated cannabis.

On August 26, 2019, the Company announced that following receipt of conditional approval by the TSX-V and payment for the cumulative amount of AUD5,500,000 ($4,986,181). the Company had successfully closed the acquisition of additional shares in Little Green Pharma, increasing its equity ownership from 14.06% up to 40.4% and in the process becoming Little Green Pharma's biggest shareholder. The fair value of the Company's previous equity investment of 14.06% in Little Green Pharma was assessed to be AUD0.40 per share (September 30, 2018 – AUD0.40 per share), representing a balance of investment of $3,520,524 (September 30, 2018 - $3,652,023).

As at August 26, 2019, on completion of the acquisition for additional shares in Little Green Pharma, taking into consideration the Company's equity stake and other factors, the Company concluded that Elixxer has significant influence over LGP. Consequently, the Company decided to classify LGP within investments in associates.

On September 13, 2019, Little Green Pharma (LGP) exported Australia's first locally grown medical cannabis product to Germany which represented a significant milestone in the development of the Australian medicinal cannabis industry.

Highlights:

- Little Green Pharma has exported samples of its commercial products to German cannabis distribution and wholesaler Cansativa GmbH for product testing;
- Cansativa, a GDP-certified pharmaceutical wholesaler operating its own distribution and fulfillment center, is one of the largest importers and distributors of medical cannabis in Germany;
- On completion of product testing the parties intend to finalize the supplier qualification for the European market and necessary compliance requirements;
- Germany is one of the fastest growing markets for medicinal cannabis in Europe since its legalization in 2017, however all products sold are imported; and
- Little Green Pharma was the first and is currently the only, Australian medicinal cannabis company producing locally grown and GMP-manufactured cannabis products for patients.

Having its export license approved in January 2019, LGP - which leads Australia's medicinal cannabis industry in the production of medicinal cannabis oil products – has now entered the German market by supplying samples of its commercial products (10:10 LGP Classic and 20:5 LGP classic) to German cannabis distribution and wholesaler Cansativa GmbH (Cansativa) for product testing.

German medicinal cannabis market overview

Germany represents a significant opportunity for LGP as the largest medicinal cannabis market in Europe, estimated to be worth EUR7.7 billion (AUD$12.5 billion) by 2028. The number of prescriptions for medicinal cannabis in Germany is growing rapidly; there were 95,000 prescriptions at the end of 2018 and more than 240,000 prescriptions were expected by the end of 2019. It is expected Germany will remain a favourable market for the import of medicinal cannabis oil products due to insufficient domestic supply as a result of significant delays in its domestic cultivation tendering process, with the first licences only awarded in 2019.

Once product testing by Cansativa in Germany successfully concludes LGP products conform to their label, finalization of the vendor qualification by Cansativa will take place ensuring compliance with the European regulatory requirements.

Germany has become one of the fastest growing markets for medicinal cannabis in Europe since its legalization in 2017. However, domestic cultivation has lagged due to delays in the tendering process which has resulted in product having to be imported in order to meet the increased demand and undersupply of medicinal cannabis to patients.

Frankfurt-based, GDP-certified pharmaceutical wholesaler Cansativa is seeking to avoid supply bottlenecks by becoming one of the largest importers and distributors of medicinal cannabis in Germany.

Intellectual property and clinical development:
LGP holds a patent over a small particle formulation with the potential to significantly reduce the cannabinoid dosage required to achieve an equivalent therapeutic effect compared to its existing products. LGP is currently scoping a product development validation project for the formulation.

LGP also holds an exclusive licence to exploit the ARISE technology in connection with medicinal cannabis and has recently entered into a research and development agreement with Curtin University to explore new formulations of medicinal cannabis that utilise the ARISE technology. ARISE is a supercritical anti-solvent extraction technology which increases the surface area of particles of active pharmaceutical ingredients with the potential to increase absorption of drugs by the body. LGP is also investigating a proposed partnership with OBJ Limited (ASX:OBJ) to use their transdermal patch technology to deliver cannabinoid therapy with product development services to be provided by researchers at the Curtin University in Western Australia. In addition, LGP is involved with five clinical investigations studying cannabinoid medicines, including the company's own medicinal cannabis oil products.

Elixxer sees its share position in the LGP as a long-term investment, as this is the beginning of the company's expansion and development into a global operator. Elixxer will continue to support LGP's future expansion plans and will assist, where needed, with its international expansion plans.

On February 20, 2020, the Company announced that LGP had begun trading on the Australian Stock Exchange under the symbol, LGP. The 10 million dollars IPO ($AUS) was fully subscribed with banking group Cannaccord Genuity Australia.
LGP has also announced that the company has signed a binding purchase agreement ("Agreement") with Astral Health, a UK-based specialist importer and distributor of medicinal cannabis products.

Astral Health is a subsidiary of LYPHE Group, a European leader in medicinal cannabis solutions across distribution channels, including medicinal cannabis clinics, online pharmacies, and healthcare practitioner training. Under the Agreement, Astral Health will purchase, import, and distribute LGP's current medicinal cannabis product range to its UK-based patients, comprising LGP Classic 10:10, LGP Classic 20:5, and LGP Classic 1:20. The Agreement has a five year term, which commences on the date of the first shipment of LGP product to the UK. LYPHE Group holds one of the few medicinal cannabis clinic licences in the UK and operates a network of seven medicinal cannabis clinics across the country. LYPHE Group expects to assist more than 2,000 patients in CY2020.

Material terms of the Agreement
The Agreement provides a framework agreement setting out the product specifications, quality requirements and agreed unit pricing of the medicinal cannabis products that the Company will provide over the term of the Agreement. Under the Agreement, Astral Health shall initiate orders by way of written purchase orders and LGP will be required to confirm or reject such purchase orders. There is no minimum order quantity under the Agreement. The parties do not have an obligation to supply or purchase products until a purchase order is confirmed.

The Agreement has a five-year term and may be terminated for convenience by either party by way of four months' written notice. UK medicinal cannabis market overview Medicinal cannabis was legalised in the UK in November 2018 and the industry is forecast to grow to US$1.3 billion by 2024, with an expected 400,000 patients being prescribed medicinal cannabis. British Medical Journal indicates a potential market of more than four million patients across a range of 52 conditions that are potentially treatable with medicinal cannabis. Currently, it is estimated that 1.4 million people (or 2.8% of the adult population) in the UK are accessing cannabis through illicit avenues to treat chronic medical conditions.

About LYPHE Group
LYPHE Group is a patient-led medicinal cannabis healthcare provider with a central goal of pioneering patient access to safe and effective medicinal cannabis treatments. LYPHE Group is comprised of the following industry leading organisations:

- The Academy of Medical Cannabis - The Academy operates a global online learning platform that trains and educates clinicians and healthcare professionals on medicinal cannabis;
- The Medical Cannabis Clinics - The UK's first chain of private clinics specialising in innovative medicinal cannabis based therapies;

- Astral Health - The UK's leading importer of cannabis based medicinal products; and
- Dispensary Green - The UK's first online home-delivery pharmacy for medicinal cannabis.

On March 26, 2020, the Company announced that Little Green Pharma has completed the commissioning of its expanded cultivation facility in Western Australia. The facility expansion was commissioned on time and on budget using state-of-the-art equipment, enhancing the LGP's ability to produce GMP manufactured medicinal cannabis. The expanded cultivation facility will have the capacity to produce sufficient cannabis flower to manufacture more than 110,000 bottles of medicinal cannabis oil per annum, approximately ten times the current production capacity. The expanded cultivation facility features nine new flowering rooms with a numberof automated technologies to enhance cultivation effectiveness, such as rolling benches, computer-timed LED lighting, climate control, and irrigation control. The facility will operate under its expanded Medicinal Cannabis Licence, which was granted by the Office of Drug Control ("**ODC**") (as announced to the ASX on March 12, 2020) and is valid until March 10, 2021.

Subject to final regulatory approval and the granting of an expanded Medicinal Cannabis Permit by the ODC, including any potential delay to the permitting process due to the impact of COVID-19, LGP expects first planting at its expanded cultivation facility to take place in the second quarter of 2020.

COVID-19 business update

On April 02, 2020, the Company announced that Little Green Pharma continues to closely monitor progress of the COVID-19 pandemic and provided the following update on its key response activities.

Key actions

Little Green Pharma (LGP) has taken actions to protect the health and welfare of staff, maintain cultivation and manufacturing operations, review its cost base, manage cost exposure and counterparty risk, apply for cost relief and Government assistance where available, and secure supply chains of critical materials and consumables.

LGP's office-based staff have successfully moved to a remote working model, while the cultivation and manufacturing teams continue to operate at their respective facilities in accordance with COVID-19 management procedures.

Provision of essential service

As a producer and supplier of medical-grade medicinal cannabis products, Little Green Pharma and its contract manufacturer provide an essential service to the community. As such, LGP anticipates being able to operate without material legislative restriction and maintain continuity of supply to patients.

First planting

Little Green Pharma received its new Office of Drug Control ("**ODC**") Cultivation and Production Licence and commissioned the expanded cultivation facility in Q1 CY2020. First planting will occur following the granting of the expanded Medicinal Cannabis permit by the ODC, which is still expected to occur in Q2 CY2020, subject to any potential delays due to COVID-19. Little Green Pharma received its new ODC Manufacturing Licence and commenced construction of its onsite manufacturing facility in Q1 CY2020. Construction continues to progress as planned.

Accelerated production and sourcing of starting materials and consumables

Little Green Pharma has actively taken steps to accelerate production to ensure adequate inventory is on hand and to source additional consumables and bulk starting materials for the production of finished cannabis medicines. These actions are intended to de-risk supply lines that may be affected by COVID- 19.

Little Green Pharma is experiencing increased shipping costs outside of Australia and has noticed increased challenges in procuring timely logistics services. This is unlikely to have a material impact on LGP as logistics services are classified as an essential service and are expected to continue to a large degree without interruption, and the price risk relating to transport is predominately borne by LGP's overseas wholesalers who take delivery at LGP's warehouse in Perth.

Increase in Sales

Little Green Pharma sold 1,580 bottles in the month of March 2020, LGP's highest monthly sales to date and a 21% increase on the number of bottles sold in February which was also a record sales month. LGP has confirmed with its overseas partners that it is business as usual and Little Green Pharma continues to expect to fulfill its international sales orders once the expanded cultivation facility is in production. Little Green Pharma is also

likely to benefit from foreign exchange gains associated with a weaker Australian dollar given its international sales agreements are denominated in Euros or Pounds Sterling.

Financial position
Little Green Pharma does not anticipate having to raise additional funds in the foreseeable future as no further capex is required on the cultivation facility and significant pre-ordering of consumables associated with manufacturing was largely completed during the first quarter of CY2020. To ensure LGP remains in a strong financial position given the current economic environment, LGP has been implementing measures to minimise its cost base, including a reduction in discretionary spend, deferral of non-essential research and development, and renegotiation of existing contracts.

In addition, to the extent permitted by the ASX Listing Rules the Board and key executives have agreed to take 20% of their salaries in shares (escrowed for 12 months).

Further updates
Elixxer, Ltd. and Little Green Pharma will continue to monitor developments and will provide further shareholder updates as appropriate.

On May 11, 2020, Company announced that its pharmaceutical medical cannabis partner, Little Green Pharma (ASX:LGP) of Australia, has been granted a new Manufacture Permit over its manufacturing facility by Australia's Office of Drug Control ("ODC"). The Manufacture Permit will allow LGP to manufacture cannabis extracts for supply to holders of Therapeutic Goods Administration ("TGA") GMP manufacturing licences to produce finished medicinal cannabis products. The Company has an exclusive agreement with its TGA GMP-licenced Manufacturing Partner to produce such products. The Permit has been granted until 10 March 2021, which aligns it with the terms of LGP's ODC Medicinal Cannabis and Manufacture licences. This Permit will enable LGP to commence in-house extraction once the next crop is harvested, resulting in reduced manufacturing costs and improved manufacturing efficiencies.

On May 28, 2020, Little Green Pharma (ASX:LGP) of Australia, has provided a sales update for the month of April 2020. LGP has achieved in April 2020:

- Sales of 1,850+ units of LGP Classic product (a new monthly record), a 17% increase on March 2020 sales;
- 380 New patients being prescribed LGP medicinal cannabis products (a cumulative total of 3,550+ patients have been prescribed LGP medicinal cannabis products as at 30 April 2020);
- 28 New healthcare professionals prescribed LGP's products (for a total of 272 healthcare professionals prescribing LGP products); and
- The Office of Drug Control continues review of LGP's application for an expanded Cultivation Permit and has granted an extension to LGP's existing permit in the interim.

For more information about Little Green Pharma go to: www.littlegreenpharma.com

As at December 31, 2019, management have conducted an impairment review of the carrying value of the LGP Investment and has concluded that no impairment charge was warranted.

Canada – Quebec

Tricho-Med Corporation ("Tricho-Med")

Tricho-Med a company set up and solely funded by Elixxer to construct a purpose-built cannabis cultivation facility in Quebec, Canada. On January 8, 2018, the Company announced that it had finalized a transaction with Tricho-Med and had entered into a four-year secured convertible loan agreement for an amount of $4,000,000 (the "Tricho-Med Debenture"), to be disbursed in accordance with a pre-agreed milestone disbursement schedule. Upon Tricho-Med obtaining a license to cultivate cannabis from the relevant regulatory authorities, the Tricho-Med Debenture automatically converts into common shares of Tricho-Med. In the event that Tricho-Med does not become a publicly listed company within twelve months of having obtained the license, the Company will receive such number of shares so that it owns 54% of the then-issued and outstanding shares of Tricho-Med and can take majority control of the business. Upon conversion into equity, the Company will also be entitled to a 5% royalty on Tricho-Med's net sales (of cannabis and cannabis related products which covers actual sales less any arm's length third party discounts) for the

life of the company. The Tricho-Med Debenture bears interest at an annual rate of 10%, has a term of four (4) years, maturing on December 21, 2021, and is secured by first-ranking security on all of Tricho-Med's assets.

In April 2018, construction began at the Tricho-Med site ("Facility") in Brownsburg, Quebec for its initial 34,000 square foot GMP compliant indoor cannabis production facility and the full amount of the $4,000,000 loan has since been disbursed. The Tricho-Med Facility is now substantially completed and certain sections and systems have been fully completed and commissioned in order to obtain a cultivation license. Upon receipt of the cultivation license and automatic conversion of Elixxer's debenture into shares, Tricho-Med will have the ability to raise further debt funding to complete the fit out the remainder of its 34,000 square foot Facility as planned. The strategic location of the Facility has some of the lowest costs of electricity in Canada at just approximately $0.04 per kilowatt hour giving Tricho-Med a natural cost advantage over other indoor production facilities in Canada.

On July 12, 2019, the Company was advised that it has been served by Tricho-Med with a motion for a declaratory judgement whereby Tricho-Med is seeking the cancellation of the convertible debenture it entered into with the Company in December of 2017 and to repay the entire amount advanced by the Company, representing $4 million plus the interest accrued thereon. Under the terms of the convertible debenture, upon Tricho-Med receiving its license to cultivate cannabis from Health Canada, the loan amount shall be converted into that number of common shares of Tricho-Med equivalent to 49% of Tricho-Med's capital on a dully diluted basis together with a 5% net sales royalty on all of Tricho-Med's future revenues. Based on legal advice, the Company believes that this action is without merit and the Company is well within its rights to continue to hold position with its investment in Tricho-Med while waiting approval from Health Canada.

On July 15, 2019, Health Canada awarded Tricho-Med its long-awaited license to cultivate cannabis seeds and plants at its newly constructed facility in Brownsburg, Quebec. As per the terms of its agreement with Tricho-Med, the Company shall automatically convert the first ranking secured loan it provided to Tricho-Med in December 2019 into a 49% direct equity interest, and a 5% royalty of Tricho-Med's net sales of cannabis and cannabis related products which covers actual sales less any arm's length third party discounts. Merchandise returns and rebates. In addition, as per the agreement the Company is entitled to representation on Tricho-Med's board of directors.

During the three and fifteen months ended December 31, 2019 the amounts drawn down under the Tricho-Med Debenture totaled $Nil and $2,249,136, respectively (September 30, 2018 - $422,064 and $1,750,864, respectively), bringing the total amounts drawn down to $4,000,000 (September 30, 2018 - $1,750,864).

On July 12, 2019, the Company was advised that it has been served by Tricho-Med with a motion for a declaratory judgement whereby Tricho-Med is seeking the cancellation of the convertible debenture it entered into with the Company in December of 2017 and to repay the entire amount advanced by the Company representing $4 million dollars plus the interest accrued thereon. Under the terms of the convertible debenture, upon Tricho-Med receiving its license to cultivate cannabis from Health Canada, the loan amount shall be converted into that number of common shares of Tricho-Med equivalent to 49% of Tricho-Med's capital on a fully diluted basis together with a 5% net sales royalty on all of Tricho-Med's future revenues. The Company believes that this action is without merit and the Company is well within its rights to continue to hold position with its investment in Tricho-Med.

Jamaica

Global Canna Labs Limited ("Global Canna")

Global Canna is a medical cannabis cultivation facility with an annual productive capacity of up to 20,000kg of dried flower per annum. The Jamaican Government have also expressed publicly its intention to allow exports of medical cannabis from the country to global markets in the near future,

The Company first announced a letter of intent to invest in Global Canna on January 26, 2018. On August 30, 2018, the Company announced that it had conditionally closed the transaction with Global Canna by subscribing for a $2.5 million secured debenture, convertible into a 30% strategic interest in Global Canna and also acquiring a 5% royalty on Global Canna's net sales through the issue of 15,854,141 common shares in the Company, valued at $3,091,558 based on the share price on the date of issue of $0.195. In addition, the Company paid a commission in respect of the transaction to an arm's length finder of $257,500, to be paid $128,750 in cash and $128,750 by way of the issue of 1,020,610 shares in the Company.

On September 20, 2018, the Company announced the formal closing of its investment in Global Canna, upon receipt of the final approval bulletin from the TSX-V for the transaction.

Global Canna holds a Tier 3 cultivation license from the Jamaican Cannabis Licensing Authority, which allows the company to cultivate up to 200,000 organic medical cannabis plants at its 270,000 square foot facility within its 6.23 acres site in Montego Bay, Jamaica. As a result, the facility has an annual productive capacity of up to 20,000kg of dried flower per annum.

Upon receiving its license in July 2018, Global Canna commenced with an initial planting of 8,000 plants in the 31,000 square foot greenhouse component of its facility. Planting of the Global Canna facility has since extended to over 16,000 cannabis plants in both its greenhouse and outdoor components.

In December 2018, Global Canna successfully completed the first harvest of two of its strains, Wedding Cake with over 24% THC and Jack Hammer with 5% THC and 6% CBD, with independent lab tested results from the University of the West Indies.

On March 23, 2019, the Company and Global Canna mutually agreed in writing that the $2,500,000 secured debenture be converted into 30% of the then issued shares in Global Canna with immediate effect and with standard minority protections. The formalities of conversion are underway.

On April 4, 2019, the Company announced that Global Canna had begun selling their high-THC medical cannabis in the domestic Jamaican market with an initial amount of approximately 46.5 kilograms of dried medical cannabis products sold to the local dispensaries.

In September 2019, Jamaican Agriculture minister, Audley Shaw noted the importance of implementing appropriate export regulations for extracted oil and dried flower to enable local medical cannabis cultivators leverage overseas markets where there is a demand for Jamaica's output.

On December 4, 2019, Global Canna Labs had successfully exported 10 kilograms of medical cannabis from Jamaica into Canada. This shipment of medical cannabis, the largest of its kind known to date, is a significant step forward in the development of Jamaica's medical, therapeutic and scientific cannabis industry. The Caribbean Licensing Authority, CLA, has been working diligently on creating a viable export platform. Jamaica's Minister of Industry, Commerce, Agriculture and Fisheries, the Honorable Audley Shaw applauded the news as he recently presented at the CanEx Investment Summit in Toronto on November 28, 2019.

As at December 31, 2019, the Global Canna debenture was completed with consideration paid totaling $5,591,558 (September 30, 2018 - $5,591,558).

Italy

Evolution Group

The Evolution Group ("Evolution") is a cannabis business based in Italy and established for the production and distribution of industrial cannabis and cannabis derived products. The business mainly operates from its cannabis production facility and lab which is part of a phased retrofitting of a 70,000 square foot site in Pavia, Italy. The cannabis to be produced by Evolution will be legal low THC (< 0.2% THC by Italian law). Evolution is also in the process of applying for a medical cultivation licence which is consistent with Elixxer's strategy and offers important access to higher margin product sales in the growing medical cannabis sector in Europe. Evolution has received its ISO9001:2015 Certification of Production, processing, marketing of products from industrial hemp for its Pavia facility in Italy

On August 13, 2018, the Company entered into the Evolution Debenture with 9379-1432 Quebec Inc. ("QuebeCo"), the Canadian incorporated parent company of Evolution BNK and Evolution ATM and their principals, to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest in QuebecCo upon the successful completion of an IPO. The Evolution Debenture bears interest of 10% per annum. The completion of the Evolution Debenture transaction is subject to condition precedent, including TSX-V approval. In addition, on August 13, 2018, the Company entered into an agreement with QuebecCo for a 5% royalty on the net sales of Evolution BNK and Evolution ATM. The royalty is secured by the assets of QuebecCo.

On May 21, 2019, the Company transferred a net agreed amount of EUR627,590 to Evolution reflecting the final tranche of EUR885,000 (EUR2,115,000 previously transferred) less accrued interest up to May 15, 2019 and associated costs in connection with the Evolution debenture.

On May 29, the Company announced that Evolution is completing the retrofit of its 22,000 square foot indoor facility within their 70,000 square foot compound in Pavia, Italy for the production of high CBD, low (< 0.2%) THC cannabis.

On July 24, 2019, the Company announced that Evolution has received its ISO9001:2015 Certification of Production, processing, marketing of products from industrial hemp for its Pavia facility in Italy.

On August 30, 2019, Evolution BNK's Italian certifying consultants Studio Sannino S.A.S have advised Elixxer that Evolution BNK has now received final GMP Certification for Production, processing, marketing of products derived from Industrial hemp for its new Pavia facility in Italy.

Under Evolution BNK's GMP license:

(a) Agricultural sector certifications:
Management system for Good Agricultural and Collection Practice (GACP) and Good Manufacturing Practice (GMP):
• Industrial hemp cultivation;
• Good agronomic cultivation practices; and
• Patent poisons - phytosanitary.

(b) Certification of the indoor production sector and production trade:
Good Manufacturing Practice (GMP): Production, processing, marketing of products derived from industrial hemp. Compliance with GMP requirements implies health and processing requirements for internationally coded good practices, applicable to all processing plants.

The GMP certification scheme for product processing is based on the HACCP system (RCE 852/04), ISO 22000, ISO 9001.

The implemented scheme will be certified for the analysis of good production standards (GMP) and will provide an independent verification of compliance with the production rules and the prerequisites necessary for the implementation of an effective production safety program based on the HACCP scheme (Hazard Analysis Critical Control Point - Analysis of critical control points risk).

(c) Certification of the cosmetic production sector and marketing of cosmetic products:
Implementation of GMP Management System based on ISO 22716. The aim is the guarantee of product safety and health of final consumers. Directive 76/768 / EEC - EC Regulation 1223/2009.

As at December 31, 2019, amounts drawn down under the Evolution Debenture totaled EUR3,000,000 ($4,494,141) (September 30, 2018 - EUR1,050,000 ($1,576,266)). As noted in previous periods, the Evolution Debenture is recorded within convertible debenture receivables and royalty streams.

For the three and fifteen months ended December 31, 2019, the Company incurred a charge of $112,905 and $247,905, respectively in respect to Evolution's finder's fees (September 30, 2018 –$Nil and $Nil, respectively).

Italy

Freia Farmaceutici Srl. (www.freiafarmaceutici.it)

Freia Farmaceutici Srl ("Freia") is currently the only company in Italy, and one of few in Europe with EFSA approved hemp-based pharmaceutical products. Freia owns two patents, has filed five patent applications, and is in the process of completing six additional applications. Freia has 6 registered pharmaceutical drug products in the market intended for patients on radio & chemotherapy treatment, suffering from atopic dermatitis & psoriasis, and from dysmetabolism (hypercholesterolemia, diabetes and endocrine dysfunction).

Freia's product pipeline includes six products already authorized in the nutrition and topical fields, eight further products have been authorized in the gynecological field and are to be launched in 2019, another nine products are awaiting authorization and 12 products are in the development stage in the areas of gastroenterology & nutrition. A special research project also involves an application for use in the treatment of multiple sclerosis.

Freia has concentrated widely on R&D, clinical trials and IP in the following areas:
• Dermatology;
• Cardiology;
• Gynecology;
• Gastroenterology; and
• Central nervous system.

On October 23, 2018, the Company entered into a letter of intent with Freia for a proposed investment of up to EUR3,214,000 for up to a 35% interest in the share capital of Freia ("the Freia Investment"). The Freia Investment was subject to the execution of definitive agreements, normal closing conditions and review and approval by the TSX-V. Pursuant to the letter of intent, the Company paid a non-refundable deposit ("the Freia Deposit") of EUR100,000 ($149,935), that was to be applied to monies payable by the Company on completion of the Freia Investment.

On January 30, 2019 the Company entered into an agreement with Freia for the provision of an unsecured, interest free loan to Freia of EUR150,000 ($228,665) for a period of 3 months ("the Freia Loan"). The Freia Loan was to be applied towards the completion of the Freia Investment.

On May 16, 2019, the Company announced that it has entered into a definitive investment agreement to acquire a 35% equity interest in, Freia, for a total cash consideration of EUR3,214,000 ($4,847,033) to be paid in three installments over the course of ten months. The investment agreement contained standard representations, warranties and covenants of the parties, and closing of the transaction was subject to standard closing conditions and final acceptance by the TSX-V, all of which have now been received. Accordingly, the Company completed the first tranche of EUR1,000,000 ($1,513,354) net of the application of the Freia Deposit and Freia Loan, resulting in a net payment of EUR750,000 ($1,134,383). The Company has also appointed two members to Freia's board of directors.

On June 27, 2019, the Company completed the second tranche of EUR714,000 ($1,063,347) bringing its equity interest in Freia up to 22.31% and this was accounted for as an investment in associates. Previous deposits and loans have been reclassified to investment in associates.

On September 3, 2019, the Company announced Freia has completed a full clinical trial, just published on Elsevier's Food Research International, to demonstrate the efficacy and safety in children of its nutritional supplement Alfalife.

Alfalife is now selling in Italy and is in advanced discussions to launch this pharmaceutical product in Eastern Europe, China and Middle East & North Africa (MENA) regions.

It should be noted that Freia´s products are currently authorized under the framework of EU pharmaceutical law and not subject to the evolving, provisional regulation of cannabis.

Alfalife, used to treat metabolic changes & obesity and to reduce LDL cholesterol (claim authorized by the EFSA). Alfalife treats the same circumstances as statin medicines, with the significant advantages of getting no side effects or interaction from any therapy with other medicines. It is completely natural and vegan, providing fresh long-term therapy opportunities in one of the world's biggest patient markets estimated to exceed CAD16bn in 2018.

Freia's recent clinical studies in Europe are focusing on treating multiple sclerosis and supporting patients in cardiovascular transplants, as well as diets of dysphagic patients and lipoprotein disorders.

On March 17, 2020, the Company announced that its Italian pharmaceutical partner, Freia Farmaceutici (Freia), has successfully launched its topical hand sanitizer, Dermogel, in Italy with their initial block of 10,000 units. The first batch of 4.000 bottles, from its first 10,000 unit manufacturing run, has been sold out within 5 days. Freia's manufacturing and supply chains are open and the second batch of 34,000 units are on order. Further manufacturing runs are planned as demand increases.

In addition to Italy, Elixxer is assisting Freia to expand Dermogel sales into the US and the UK. Elixxer has secured initial orders for the UK of 50,000 units as of this morning. Freia's Dermogel has been developed in Italy to effectively sanitize hands and is proving to be an effective alternative to soap and water in decreasing bacteria counts on the skin. This daily-use product is applicable to high traffic zones for sanitation and safety. Clinically studies on the medical benefits shows that Dermogel is an effective hand sanitizer with the added benefit of less irritation to the skin compared to existing brands on the market.

On April 8, 2020, the Company announced Freia launched production of ImmunoV Forte, to improve and protect respiratory function in the human body against airborne infections. Freia is initiating clinical trials on the active

ingredients in ImmunoV Forte that aid and protect the human respiratory tract from external environmental attacks such as respiratory viruses, bacteria, smoke and pollution. In being compliant with Canadian Exchange regulators, both Elixxer and Freia are not making any expressed or implied claims that its product has the ability to eliminate, cure or contain the Covid-19 (or SARS-2 Coronavirus) at this time. Post trials the company will update the market as to these results. The product will be available for sale in Europe by mid-April ImmunoV. Forte is a nutritional supplement that is water soluble and can be taken once daily to protect and enhance against infection.

According to EFSA, by continual use of the combined ingredients within ImmunoV Forte, Freia's research and development team concluded that by using this product, it can contribute to improving the normal functions of the immune system. ImmunoV Forte contributes to the maintenance of normal immune system function even during and after intense physical activities or stresses. ImmunoV Forte also contributes to protect cells from Oxidative stress and the normal metabolism of fatty acids in the human body.

Friea has also confirmed with Elixxer that its current production facilities and laboratories will remain open amid this crisis, Freia's operations are deemed as an essential pharmaceutical business. Freia and Elixxer are committed to bring Freia's catalogue of medical products to market to protect and enhance the overall health of consumers throughout Europe, the UK and North America.

On April 09, 2020, the Company announced Freia had confirmed that their production facilities are capable to quickly increase production to meet demand of their Dermogel hand sanitizer per month. Freia had also begun to add alcohol to the formulation to answer the demand from customers. Freia had also sourced and begun to sell N95, KN95, FFP2 and EN14683:2014 facemasks. Their first order was 33,000 N95 masks and Freia continues to build their order book. The production at Freia's source can supply all Freia orders.

As at December 31, 2019, management determined that no indicators of impairment were present, hence no impairment charge was warranted.

Switzerland

Viridi Unit SA ("Viridi")

Viridi is a legal cannabis supplier to the Swiss and European markets, with a wide range of seeds, buds, cosmetics and natural wellness products. On December 12, 2018, the Company announced that it had closed its investment in Viridi, with the Company issuing 35,167,001 shares of its common stock in exchange for a 30% equity interest in Viridi plus a 5% royalty on Viridi's net sales to customers introduced by Elixxer over ten years. The total consideration amounted to approximately CHF3,000,000 ($4,019,588) based on the share price of $0.1143 on the date of issue). In respect of this transaction, the Company has paid a finder's fee to an arm's length party equal to 3% of the total consideration in cash and 2% of the total consideration by the issuance of 703,340 common shares of the Company.

During the three and fifteen months ended December 31, 2019 the Company's share of profit amounted to $nil and losses of $676,032, respectively (September 30, 2018 – $Nil and $Nil, respectively).

As at December 31, 2019, management conducted an impairment review of the carrying value of the Viridi equity.and has concluded that based on a new round of investment in Viridi shortly after the reporting date at a lower valuation to the current carrying value, it was deemed appropriate to partially impair the investment and consequently the Company has recorded an impairment charge amounting to $1,516,210 (September 2018 - $Nil).

Europe

CLV Frontier Brands Pty Ltd (Europe)

CLV Frontier Brands Pty Ltd ("CLV") is an incorporated joint venture in which the Company, Creso Pharma Limited and Baltic Beer Company Ltd (UK) each have a one-third interest. CLV had the objective of developing and marketing bespoke beers containing terpenes, which carry the flavour and aroma of cannabis, but do not contain THC or CBD or any other cannabinoids. The terpenes used in CLV's beer do not contain cannabis or hemp ingredients either.

The Company acquired a one-third interest in CLV by providing AUD33 ($31) in equity funding and EUR270,000 ($409,879) in additional loan funding during the period ended September 30, 2018.

In October 2018, the Board of Directors decided to not contribute further funding to CLV to focus resources on its portfolio of cannabis investment opportunities. Given the inherent uncertainty as to CLV obtaining sufficient further capital to further progress its business, in the year ended September 30, 2018, the Company recognized an impairment charge in the consolidated statements of (loss) related to its investment in CLV amounting to $31 and (2017 – $Nil) and recognized an impairment in net loss related to its loans to the CLV JV amounting to EUR270,000 ($405,326) after adjusting for currency fluctuations.

During the three and fifteen months ended December 31, 2019, the Company loaned an additional $Nil and $70,665, respectively, for closing costs associated with the winding up of CLV and recognized a further impairment of $Nil and $70,665, respectively.

Etea Sicurezza Group

Based in London, England, Etea Sicurezza Group Ltd ("Etea") (www.eteasicurezzagroup.com) is a private company which specializes in fire safety and security by providing products and services to international companies such as L'Oreal, Coca Cola, BASF, Doha Metro and others. Etea was founded in 1998 and has strong credentials in the field of high-tech safety. Etea operates as an EPC (Engineering, Procurement and Construction) contractor implementing safety systems, and provides proprietary and patented technologies that are customized and fully compliant with international standards.

On October 10, 2017, the Company announced that it had entered into an agreement with a Toronto-based investment firm whereby the Company will guarantee repayment (the "Etea Guarantee") of all of the obligations incurred by Etea, pursuant to an issuance of notes by it to an unrelated party in an aggregate principal amount of USD$1,000,000 (the "Etea Notes"). The Etea Notes have a term of two years, maturing in October 2019, bear interest at a rate equal to LIBOR + 8%, and are secured by the assets of Etea Sicurezza and by a pledge of shares by Etea Sicurezza's principal shareholder. As consideration for the Etea Guarantee, on May 15, 2018 the Company was issued shares in Etea Sicurezza, representing 3% of its outstanding share capital, with a deemed value of EUR150,000 ($228,192). In addition, an annual fee of USD$30,000 ($37,636) is chargeable to Etea Sicurezza.

During the year ended September 30, 2018, the Company provided loans to Etea Sicurezza totalling EUR849,348 ($1,275,047) to provide working capital support towards the growth of the business. However, as at September 30, 2018, in view of Etea Sicurezza's difficult liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors decided to record an impairment in full of its loans to Etea Sicurezza, totaling $1,275,047 and also to make a provision for non-recovery of all outstanding interest and facilitation fees receivable due from Etea Sicurezza, totaling $51,996. The Company also impaired in full its 3% equity interest in Etea Sicurezza as at September 30, 2018, recognising an impairment charge in the consolidated statements of (loss) related to its investment in Etea Sicurezza amounting to $228,192.

In the three and fifteen months ended December 31, 2019, the Company recognized a further impairment charge related to loan movements amounting to $Nil and $111,805, respectively (September 30, 2018 – $4,058 and $1,275,078, respectively), interest earned and a corresponding provision for doubtful debts totalling $122,001 and $112,098, respectively (September 30, 2018 – $29,478 and $29,478, respectively) in the consolidated statement of loss in respect of these loans.

In view of Etea Sicurezza's current challenging liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors decided to continue to record an impairment in full of its loan exposure to Etea Sicurezza. Consequently, during the fifteen-month period ended December 31, 2019 the Company recorded, an impairment charge related to the other Etea loans and the Etea notes amounting to $111,805 and $2,699,692, respectively (year ended September 30, 2018 - $1,275,047 and $nil respectively), and in respect of interest earned a corresponding provision for doubtful debts totaling $112,098 (September 30, 2018 – $29,478) and $336,413 in relation to the Notes in the consolidated statement of loss in respect of these loans and receivables.

During the three and fifteen months ended December 31, 2019, a total of $nil and $116,357, respectively related to Etea guarantee fees has been transferred from deferred revenue and recorded in revenues in the condensed interim consolidated statement of loss (September 30, 2018 - $149,471 and $149,471, respectively).

On November 8, 2019, the Company entered into an agreement to acquire all rights, title and interest in the Etea Notes that were the subject of the Etea Guarantee as well as an additional note issued by Etea in the amount of USD$1,000,000 from the initial holder thereof. As a result, the Etea Guarantee has been cancelled. The initial holder of the notes has also assigned to the Company all of the security that it held in respect of the notes, including the debenture on the assets of Etea and the pledge of shares by Etea's principal shareholder. The purchase price for the

notes and security was $2,800,000 which was funded by way of a bridge loan to the Company from the initial holder of the notes.

As at December 31, 2019, Management has decided to reverse the provision for a possible demand from the lender to satisfy the Etea Guarantee. This decision was a result of the Guarantee being cancelled and is discussed in greater detail in the prior paragraph. As a result, during the three and fifteen months ended December 31, 2019, the Company recognized a provision reversal of ($1,324,250) in respect of the Etea Guarantee in the condensed interim consolidated statement of loss.

Private placement from London-based Arlington Capital Inc.

On January 23, 2019, the Company received a binding commitment from Arlington Capital Inc. ("Arlington"), a private London-based investment company for a private placement of 80,000,000 common shares in the capital of the Company at a price of $0.10 per share for aggregate proceeds of $8,000,000 (the "Arlington Placement").

Closing of the Arlington Placement was subject to customary closing conditions including, but not limited to, approval from the TSX-V. On closing of the Arlington Placement, the Company would pay a 3% finder's fee to an arm's length third party. Upon closing of the Arlington Placement, Arlington would become an insider of the Company as they would hold more than 10% of the Company's issued and outstanding common shares and would be entitled to appoint a representative to its board of directors. On April 24, 2019, the Company announced that it obtained conditional approval from the TSX-V to increase the Arlington Placement to $10.4 million at $0.10 per share.

The first tranche of $8.0 million of the $10.4 million Arlington Placement closed on May 2, 2019. The Company issued a total of 80,000,000 commons shares to Arlington at an issue price of $0.10 per share for gross proceeds of $8,000,000. On May 31, 2019, the Company closed the second tranche of $2.4 million of the Arlington Placement. The Company issued an additional 24,000,000 common shares to Arlington at an issue price of $0.10 per share for additional gross proceeds of $2.4 million.

As a result of Arlington Placement, Arlington is the Company's largest single shareholder with approximately 19.86% of the Company's issued and outstanding common shares. There were no warrants with this financing. Use of proceeds are to accelerate the Company's group of companies' business plan for the current calendar year.

On closing the Arlington Placement, the Company paid a 3% finder's fee to an arms-length third party, said fee paid in common shares of the Company at an issue price of $0.10 per share. All shared issued by the Company are subject to a hold period of four months and one day from the date of issuance. In accordance with the terms of the Arlington Placement, the Company has appointed an Arlington representative to the Company's Board of Directors in the person of Mr. Ferras Zalt, who is now Chairman of the Company's Board of Directors. Subsequent to closing, Arlington became a related party to the Company.

On February 5, 2019, the Company executed a loan agreement with Arlington for an unsecured loan of $2,000,000 for a period of three months, with interest of 12% per annum, payable quarterly. The loan was used for working capital purposes and was repaid on completion of the first tranche of $8,000,000 of the Arlington Placement.

Arlington Loan

On August 29, 2019, the Company entered into a loan agreement with Arlington. Under the terms of the loan Arlington agreed to lend to the Company up to $4,670,000 for a period of four months. The funds are to be used for working capital purposes. The loan is unsecured and bears interest at the rate 12% per annum. The Company has the right to repay the loan at any time.

As of the date of the MD&A, amounts drawn down by the signing date were $3,593,535, subsequent to December 31, 2019 a balance of up to $1,076,465 undrawn from the Loan facility. The Company used the proceeds of the loan to fund its operations and for general working capital purposes.

On August 30, 2019, both parties have agreed to extend this term to 12 months with all other conditions intact. Each advance made pursuant to the Loan shall bear interest at the rate of 12% per annum from the date of such advance, such interest to be calculated daily and payable on a quarterly basis.

Arlington currently holds a total of 104,000,000 common shares of Elixxer, representing approximately 19.85% of the issued and outstanding common shares. Accordingly, the Loan constitutes a "related party transaction" under

Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). In connection with the Loan, the Company relied on the exemptions in Sections 5.5(a) and 5.7(1)(a) of Regulation 61-101 from the formal valuation and minority shareholder approval requirements, respectively, on the basis that the fair market value of the loan is less than 25% of the Company's market capitalization.

Convertible Loan Agreement - US$2,340,000

On February 28, 2019, the Company announced that, following receipt of conditional approval from the TSX-V, it had closed the convertible loan transaction with international investors YA II, PN, Ltd. and RiverFort Global Opportunities PLC (the "Lenders") pursuant to which they have loaned to the Company an aggregate amount of US$2,340,000 (the "Loan"). The proceeds of the Loan were used to refinance the existing debt that matured on February 8, 2019.

The Loan has a term of 12 months with one-half of the principal amount outstanding payable in six equal monthly installments beginning on the date falling six months from the date of closing and the remaining outstanding amount payable in a single installment at maturity. The Loan bears interest at an annual rate of 12%, payable in cash on the date which is three months from the date of closing and, thereafter, on each date on which a repayment of principal is made.

The principal amount of the Loan may be convertible into common shares of the Company at the option of the Lenders at a price per share equal to the lesser of (i) US$0.0912 ($0.120), representing the US dollar equivalent of 120% of $0.10; and (ii) 90% of the lowest daily VWAP during the five trading days immediately preceding the date of the conversion notice from the Lenders, subject to a minimum conversion price of US$0.076, representing the US dollar equivalent of $0.10.

At closing, the Company issued an aggregate of 12,048,055 common share purchase warrants (the "Warrants") to the Lenders, representing an amount equal to 45% of the principal amount of the Loan divided by US$0.0874, representing the US dollar equivalent of $0.115. Each Warrant entitles the holder thereof to acquire one Share at an exercise price of $0.115, for a period of one year from the date of issuance.

In connection with the transaction, the Company paid a cash due diligence fee of USD$13,100 to RiverFort Global Capital Limited ("RiverFort") of London, England. The Company is at arm's length to both of the lenders and to RiverFort.

Convertible Loan Agreement for US$1,183,000

On March 6, 2020, the Company announced that it entered into an investment agreement (the "Investment Agreement") with international investors YA II PN, Ltd. and RiverFort Global Opportunities PLC (the "Lenders") pursuant to which they will loan Elixxer an aggregate amount of US$1,183,000 (the "Loan"), representing the remaining principle amount outstanding. The Loan will have a maturity date of January 1, 2021 (the "Maturity Date") and will bear interest at the rate of 12% per annum. The proceeds of the Loan will be used to refinance maturing debt.

The principal amount of the Loan may be convertible into common shares of Elixxer (the "Shares") at the option of the Lenders at a price per Share of CAD$0.05. The closing price of the Shares on March 4, 2020 was CAD$0.04. The Company will also issue an aggregate of 14,200,000 common share purchase warrants (the "Warrants") to the Lenders. Each Warrant will entitle the holder thereof to acquire one Share at an exercise price of CAD$0.05 until the Maturity Date.

The Investment Agreement will contain standard representations, warranties and covenants of the parties. Closing of the transaction and the issuance of all securities pursuant thereto is subject to the conditional approval of the TSX Venture Exchange. The parties intend to close the transaction as soon as reasonably possible following the receipt of such approval. Any securities issued by the Company upon closing of the transaction, upon conversion of the Loan or upon the exercise of the Warrants will be subject to restrictions on resale for a period of four months and one day from the date of closing. The Company is at arm's length to the Lenders.

On March 17, 2020, the Company announced that, following receipt of conditional approval from the TSX Venture Exchange, it has now closed its previously announced convertible loan transaction (the "Loan") with international investors led by YA II PN, Ltd. (the "Lenders") pursuant to which they have agreed to refinance the principal amount of $US1,183,000 which is outstanding under expiring convertible notes. The Company is not receiving any new cash pursuant to the Loan. The Loan has a maturity date of January 1, 2021 (the "Maturity Date") and bears interest at the rate of 12% per annum.

The principal amount of the Loan, up to a maximum of US$1,096,190, may be convertible into common shares of Elixxer (the "Shares") at the option of the Lenders at a price per Share of CAD$0.05 for a maximum of 28,847,105 Shares. At closing, the Company had issued an aggregate of 14,200,000 common share purchase warrants (the "Warrants") to the Lenders. Each Warrant entitles the holder thereof to acquire one Share at an exercise price of CAD$0.05 per Share until the Maturity Date.

The securities issued by the Corporation at the closing of the transaction, upon conversion of the Loan or upon the exercise of the Warrants are subject to restrictions on resale for a period of four months and one day from the date of closing. The Company is at arm's length to the Lenders.

Zimmer International

On January 31, 2019, the Company agreed to purchase from Global Canna, its 6.75% interest in the share capital of Zimmer International Inc ("Zimmer") for USD$270,000 ($358,547). Zimmer is a pharmaceutical and health care distribution business in the Caribbean, Mexico and South America.

As at December 31, 2019, management have concluded that the fair value of the Company's investment in Zimmer was $Nil (September 30, 2018 - $Nil). For the three and fifteen months ended December 31, 2019, the movement in the fair value of the Company's investment in Zimmer amounted to losses of ($358,547) and ($358,547), respectively (September 30, 2018 – $Nil and $Nil, respectively).

Oriah Botanicals

On March 12, 2019 the Company entered into an agreement with Oriah Botanicals Pty Ltd ("Oriah") pursuant to which the Company provided Oriah with an unsecured, interest free loan of USD$150,000 ($199,768) for a period of 12 months.

The Oriah loan is carried at its present value and on initial recognition a discount on fair valuation of the Oriah loan totalling $33,650 was recognised in the consolidated statement of loss under finance expense.

During the three and fifteen months ended December 31, 2019, the Company recorded a gain of $1,544 and a loss of ($740), respectively due to foreign currency translation in the audited consolidated statement of loss (September 30, 2018 - $Nil and $Nil, respectively). During the three and fifteen months ended December 31, 2019, the value of accretion income recognized in respect of this loan amounted to $9,123 and $25,955, respectively (September 30, 2018 - $Nil and $Nil, respectively) (note 4).

As at December 31, 2019, management conducted an impairment review of the carrying value of the Oriah loan and concluded that the loan was fully impaired and consequently has recorded an impairment charge amounting to $182,923 (September 30, 2018 - $Nil).

OTCQB Trading

On March 4, 2019, the Company received approval to begin trading on the OTCQB Exchange as from that date, trading under the symbol LGGCF. The OTCQB is part of the OTC marketplace, an American financial market providing price and liquidity information for circa 10,000 US and global over-the-counter ("OTC") securities. Investors can find current financial disclosure and Real-Time level 2 quotes for the Company on www.otcmarkets.com. The Company continues to trade on its primary exchange of the TSX-V.

Amendment of stock option plan

On June 11, 2019, the Company announced that it has amended its stock option plan to increase the number of common shares that may be issued thereunder. The stock option plan is a fixed stock option plan and the amendment increases the number of common shares reserved for issuance under the stock option plan from 71,230,957 to 83,331,796, being 20% of the issued and outstanding shares on April 17, 2019.

The amendment of the stock option plan was approved by the Company's shareholders at the annual and special meeting of shareholders held on May 22, 2019. The Company received final acceptance of the amended stock option from the TSX-V on June 12, 2019.

Change of Company's financial year

On July 16, 2019, the Company announced that it is changing its financial year end to December 31 from its current year end of September 30. As a result, the Company will file an additional interim report as at September 30, 2019 and will report audited financial results for a 15 month transition year from October 1, 2018 to December 31, 2019 (with a comparative of the 12 months ended September 30, 2018). Afterwards, the Company will revert to a customary reporting calendar on a December 31 year end, with fiscal quarters ending on the last day of March, June, September and December each year. The Company believes this change of financial year end will allow it to complete the audit requirements of its investee companies with greater efficiency and will be useful to consolidate other companies in the future.

Change in corporate name

Effective August 6, 2019, the Company has changed its name from "LGC Capital Ltd." to "Elixxer Ltd.". The name change was approved by the Company's shareholders at the annual and special meeting held on May 22, 2019. The Company now trades under the new symbol "ELXR" on the TSX-V. The Company's new website is Elixxer.com.

Shares for debt settlement

On August 20, 2019, the Company has entered into an agreement to settle an aggregate amount of $60,000 for services rendered to the Company by an arm's length service provider through the issuance of common shares of Elixxer (the "Debt Settlement"). Pursuant to the Debt Settlement, Elixxer would issue a total of 600,000 common shares at a deemed issue price of $0.10 per common share. The Debt Settlement is being undertaken by the Company in order to preserve cash for its operations.

Completion of the Debt Settlement occurred on September 3, 2019 following acceptance by the TSX-V, and any shares issued pursuant to the Debt Settlement will be subject to a four month hold period commencing on the date of issuance.

Private Placement - $2,800,000

On November 12, 2019, the Company announced that a strategic investor will invest CAD$2,800,000 into Elixxer pursuant to a non-brokered private placement of 35,000,000 units of the Company at a price of $0.08 per unit. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to purchase an additional common share of the Company at a price of $0.10 per share for a period of three years from the date of issuance.

Proceeds of the private placement will be used for general working capital purposes. On November 19, 2019, the Company received the conditional approval of the TSX-V for the private placement, and the private placement closed on November 20, 2019. All securities issued pursuant to the private placement are subject to a hold period of four months and one day. On November 22, 2019, the Company was in receipt of the $2,800,000.

Grant of options

On January 16, 2020, the Company announced that it had granted stock options to purchase a total of 13,506,403 common shares of the Corporation to certain of its senior officers and directors and stock options to purchase 1,500,000 common shares of the Corporation to a consultant. All of the options are exercisable at a price of $0.05 per share and have a term of five years. The options are subject in all respects to the terms of Elixxer's stock option plan and the requirements of the TSX Venture Exchange.

AD Asset Management LLC – US$12,000,000 convertible loan

On January. 22, 2020, the Company signed an indicative term sheet for a US$12 million convertible loan (the "Loan") from AD Asset Management LLC ("AD"), a U.S.-based fund management company. The Loan will be fully secured, mature in three years, and bear interest at an annual rate of 10%, payable semi-annually. The Loan will be drawn down in three installments of US$4 million each within a twelve-month period. Elixxer will have the option to pay interest on the Loan in Elixxer shares, at a price per share equal to the volume weighted average trading price ("VWAP") of the Company's shares at the time of the interest payment. AD will have the right to appoint one member to the Company's Board of Directors.

Elixxer will issue up to 30 million common share purchase warrants to AD, pro rata to each drawdown of the Loan. The warrants will be exercisable for three years from the date of issuance at a price of $0.04 per share. Elixxer will have the right to prepay principal and accrued interest on the Loan with a prepayment penalty equal to 5% per annum on the principal prepaid through maturity. At maturity, the lender will have the option, exercisable in its sole discretion, to convert the outstanding principal and accrued interest into common shares of Elixxer at a price per share equal to the seven -day VWAP of Elixxer's shares prior to the date of conversion, subject to a minimum price of $0.04 per share. Elixxer will also issue 20 million common shares to AD Securities America LLC as a fee in connection with the Loan. The Loan is subject to completion of a definitive agreement containing standard representations and warranties on the part of Elixxer, completion of satisfactory due diligence by AD, approval by the Boards of Directors of Elixxer and AD, and regulatory approval, including that of the TSX Venture Exchange.

As of the date of this MD&A, the transaction has not closed, and the Company continues its discussions with AD.

Change of Auditor

On January 31, 2020 the Company announced that it had changed its auditor from Ernst & Young LLP (the "Former Auditor") to Baker Tilly WM LLP (the "Successor Auditor"). The Former Auditor resigned at the request of the Corporation effective as of January 27, 2020, and the Board of Directors of the Company appointed the Successor Auditor as the Company's auditor, effective as of January 27, 2020, to hold office until the next annual general meeting of the Company's shareholders. There were no reservations in the Former Auditor's audit reports for the relevant period, being the two most recently completed financial years and any period subsequent to the most recently completed financial year for which an audit report was issued and preceding the resignation of the Former Auditor. In accordance with *Regulation 51-102 respecting Continuous Disclosure Obligations* (the "Regulation"), the Company had filed a Change of Auditor Notice (the "Notice") on SEDAR, together with letters from both the Former Auditor and Successor Auditor each confirming agreement with the statements contained in the Notice. There were no reportable events (as defined in the Regulation) between the Former Auditor and the Company.

Extension of loans to insiders

On March 6, 2020, Elixxer announced that it has agreed to extend the maturity date of three existing loans to insiders. In February 2018, the Corporation made loans to three of its officers and/or directors in order to fund the exercise by them of stock options and to fund the payment by them of related taxes. The loans had an initial term of two years, and the Corporation has agreed to extend the maturity date of each of the loans for a period of two years. The extensions have been approved by the TSX Venture Exchange, subject to ratification in the next shareholders' meeting.

Outlook

Pursuant to its growth strategy, the Company is increasing its investment footprint in the fast growing and globally expanding legalized medicinal cannabis sector, with the exception of investments in businesses operating in the United States. To date, the Company has entered into agreements for investments in private cannabis operations in Canada, Australia, Italy, Jamaica, and Switzerland.

Going forward Elixxer Management and Executive team have decided that the Company will focus its resources on locations and market segments where legislation and regulations are well defined, particularly in the areas of medical cannabis and the niche cannabis related segment within the pharmaceutical sector, The Company also intends to take a more involved role in retail and distribution due to the importance of having direct access and engagement with patients and customers as the cannabis market continues to evolve and mature. Elixxer will focus its efforts on businesses within its portfolio of companies and advance their operational expansion plans throughout the EU in particular. It was also decided by the executive team to release certain team members that will not be involved with the next phase of the company's evolution.

The Company intends to focus specifically on areas where legislation and regulations are clear, particularly in the areas of medical cannabis, the niche pharmaceutical sector along with a more involved role on the retail end of the sector in order to full understand and capitalise on the needs of patients and customers.

Financial Information

Selected Financial Information

The following table summarizes selected financial information of the Company for the three and fifteen months ended December 31, 2019 and three and twelve months ended September 30, 2018.

	Three months ended		Fifteen months ended	Twelve months ended
	December 31	September 30	December 31	September 30
	2019 $	2018 $	2019 $	2018 $
Revenue	481,250	(6,649)	1,648,081	366,855
Net loss	(10,579.964)	(1,456,379)	(23,681,121)	(16,530,002)
Other comprehensive profit (loss)	57,730	884,271	22,746	913,489
Net profit (loss) and comprehensive profit (loss)	(10,533,234)	(572,108)	(23,658,375)	(15,616,513)
Basic and diluted loss per share	(0.02)	(0.00)	(0.05)	(0.05)

Three and fifteen months ended December 31, 2019 compared the three and twelve months ended September 30, 2018

The Company reported a net loss for the three and fifteen months ended December 31, 2019 of $10,579,964 or $0.02 per common share and $23,681.121 or $0.05, respectively. This compares to the net loss for the three and twelve months ended September 30, 2018 of $1,456,379 and $16,530,002, respectively. The increase in loss for the three months ended December 31, 2019, was primarily due to the 2018 revaluation of stock-based compensation resulting in a recovery of $3,048,749 compared to a recovery of $287,356 for the same period in 2019, share of losses of associates of $1,475,891, Increase of impairment of loans receivables of $2,164,699, extinguishment of convertible debenture payable of $1,008,482 and net loss on financial assets measured at fair value through loss of $2,652,106.

The increase in loss for the fifteen months ended December 31, 2019, was primarily due to lower stock-based compensation of $8,014,730 offset by increase in administrative costs of $7,096,452, share of losses of associates of $1,881,748, Increase of impairment of loans receivables of $2,459,427, extinguishment of convertible debenture payable of $1,008,482 and net loss on financial assets measured at fair value through loss of $5,836,191.

Revenues
The Company reported revenues for the three and fifteen months ended December 31, 2019 of $481,250 and $1,648,081, respectively primarily from interest income.

Administrative expenses
Total administrative expenses for three and fifteen months ended December 31, 2019 were $2,791,581 and $11,000,657, respectively compared to the three and twelve months ended September 30, 2018 of $(2,099,858) and $13,465,628, respectively.

	Three months ended		Fifteen months ended	Twelve months ended
	December 31	September 30	December 31	September 30
	2019 $	2018 $	2019 $	2018 $
Administration expenses:				
Legal fees	**562.263**	391,651	**1,844,024**	918,876
Consultancy fees	**521,040**	104,500	**1,791,864**	251,580
Directors' fees and consultancy	**561,030**	143,323	**1,628,500**	942,667
Regulatory expenses	**235,862**	100,293	**963,626**	578,618
Travel and business development	**181,764**	185,344	**916,795**	385,957
Salaries and other employee benefits	**40,635**	109,217	**660,722**	315,585
Stock-based compensation	**(29,356)**	(3,306,749)	**1,083,267**	9,097,997
Finder's fee	**(198,053)**	—	**449,513**	257,500
Investor / public relations	**167,371**	41,870	**436,469**	219,190
Professional fees	**130,259**	84,239	**272,384**	131,450
Office expenses	**64,956**	11,765	**228,664**	65,309
Due diligence fees	**5,500**	—	**41,990**	—
Other administration	**548,310**	34,689	**682,838**	300,899
Total	**2,791,581**	(2,099,858)	**11,000,657**	13,465,628
Less: Stock-based compensation	**(29,356)**	(3,306,749)	**1,083,267**	9,097,997
Total excluding stock-based compensation	**2,820,937**	1,206,891	**9,917,390**	4,367,631

Excluding the stock-based compensation charge, the administrative expenses for the three months ended December 31, 2019, the increase of $1,614,046 from the three months ended September 30, 2018, is due primarily to increased Salaries, directors' fees, legal fees, regulatory fees, consultancy fees and extension fee related to AIP. These increases were related to the increased staff initiated in early 2019 to promote the European expansion of Elixxer's investments.

Excluding the stock-based compensation charge, the administrative expenses for the fifteen months ended December 31, 2019 increased $5,549,759 from the twelve months ended September 30, 2018. This reflects the significant increase in investment activities across several countries as well as increased salaries, directors' fees, legal fees, regulatory fees, consultancy fees, travel, investor / public relations and extension fee related to AIP. These increases were related to the increased staff initiated in early 2019 to promote the European expansion of Elixxer's investments.

Finance expenses
During the three and fifteen months ended December 31, 2019, the Company incurred finance expenses totaling ($219,089) and $1,309,335, respectively (September 30, 2018 – $358,093 and $993,226, respectively) primarily in respect to the convertible debenture payable.

Share of losses in associates
For the three and fifteen months ended December 31, 2019, the Company's share of losses in associates amounted to $1,475,891 and $1,881,748, respectively (September 30, 2018 – $Nil and $Nil, respectively) in respect of the Company's 30% equity interest in Viridi, which was completed on December 12, 2018 (reclassified to equity investments during the three months ended December 31, 2019 due to loss of significant influence), Freia's 22.31% equity interest completed on June 27, 2019 and Little Green Pharma 38.11% equity interest completed on August 26, 2019. For the three months ended, these losses in associates were primarily losses from Little Green Pharma due to the additional costs for the pre-IPO costs. For the fifteen months ended December 31, 2019, the losses in associates were primarily generated from Little Green Pharma due to the additional costs for the pre-IPO costs and to a lesser extent to Viridi's losses due to delay in production.

The table below presents the Company's associates as at December 31, 2019 and September 30, 2018:

Associate	Country of registration	Nature of business	Holding December 31, 2019	Holding September 30, 2018
Freia Farmaceutici S.R.L.	Italy	Cannabis	**22.31%**	—
Little Green Pharma	Australia	Cannabis	**38.40%**	—

	Freia Farmaceutici SRL	Little Green Pharma
	EURO	**AUD**
Balance sheet at December 31, 2019		
Current assets	2,173,920	3,499,408
Non-current assets	175,644	6,921,597
Current liabilities	114,408	14,999,536
Non-current liabilities	31,540	1,517,663
	Six-month period ended December 31, 2019	**Four-month period ended December 31, 2019**
Statement of profit / (loss)		
Revenues	766,516	477,364
Net profit / (loss)	**176,387**	**(3,670,016)**
Other comprehensive income / (loss)	—	**(4,133)**
Total comprehensive income / (loss)	176,387	**(3,674,149)**

Impairment of loans

For the three and fifteen months ended December 31, 2019, the Company's Impairment of loans amounted to $2,720,357 and $3,015,085, respectively (September 30, 2018 – $1,680,404 and $1,680,404, respectively). These were due primarily to Etea Sicurezza's current challenging liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors decided to continue to record an impairment in full of its loan exposure to Etea Sicurezza. Consequently, during the three months ended December 31, 2019 the Company recorded, an impairment charge related to the Etea Notes amounting to $2,649,692 compared to $Nil in the three months ended September 30, 2018. During the fifteen months ended December 31, 2019, impairments were primarily due to Etea Notes impairment of $2,649,692 (year ended September 30, 2018 - $Nil), Etea loan impairment of $111,805 (year ended - September 30, 2018 - $1,275,078) and Oriah Biotanical Pty Ltd. Loan impairment of $182,923 (year ended September 30, 2018 - $Nil).

Impairment of investment in associates

For the three and fifteen months ended December 31, 2019, the Company's Impairment of investment in associates amounted to $591,418 and $1,516,210, respectively (September 30, 2018 – $Nil and $Nil, respectively). These were due to its investment in Viridi due to delay in production.

Extinguishment of convertible debenture and gain on financial liabilities measured at fair value through profit or loss ("FVTPL")

For the three and fifteen months ended December 31, 2019, the Company's extinguishment of convertible debenture amounted to $1,008,482 and $1,008,482, respectively (September 30, 2018 – $Nil and $Nil, respectively).

For the three and fifteen months ended December 31, 2019, the Company's net gain on financial liabilities measure at FVTPL of convertible debenture amounted to $256,084 and $756,918, respectively (September 30, 2018 – $Nil and $Nil, respectively)

These gains are due to, the fair value on initial recognition of these instruments was estimated as outlined below and used to allocate face value of the 2019 Debentures amongst these instruments, on a fair value basis. This exercise resulted in allocated fair values for each component of the 2019 Debentures of $2,975,734 allocated to the host debt component, $722,645 allocated to the embedded derivative and $397,733 allocated to common share purchase warrants resulting in a loss on extinguishment of convertible debentures payable of $1,008,482.

Net loss on financial assets measured at fair value through profit or loss ("FVTPL")
For the three and fifteen months ended December 31, 2019, the Company's net loss on financial assets measures at FVTPL amounted to $2,652,106 and $5,835,191, respectively (September 30, 2018 – $Nil and $Nil, respectively). For the three months ended December 31, 2019 were primarily due to Tricho-Med of $1,398,124, GCL of $1,021,154 and Virid $285,001. These financial assets have decreased primarily due to the decreases in the share prices of comparable companies used in the measurement of their respective fair values. For the fifteen months ended December 31, 2019 were primarily due to Tricho-Med of $1,917,590, GCL of $1,021,154, Virid $1,320,740 and Evolution of $1,085,661. These financial assets have decreased primarily due to the decreases in the share prices of comparable companies used in the measurement of their respective fair values. In addition, for the fifteen months ended December 31, 2019, the investment in Zimmer was determined to be $Nil with charge to FVTPL of $358,547.

Summary of Quarterly Results

The following table presents unaudited selected financial information for the eight most recent quarters since incorporation:

Fiscal Quarter ended	Total Revenue $	Net loss for the period $	Basic loss per share $	Diluted loss per share $	Total assets $
December 31, 2019	481,250	(10,579,964)	(0.02)	(0.02)	23,956,943
September 30, 2019	327,051	(3,252,396)	(0.01)	(0.01)	27,844,851
June 30, 2019	308,420	(5,036,959)	(0.01)	(0.01)	29,118,062
March 31, 2019	275,246	(2,901,773)	(0.01)	(0.01)	24,597,473
December 31, 2018	256,114	(1,910,030)	(0.00)	(0.00)	23,527,485
September 30, 2018	(6,649)	(1,456,378)	(0.00)	(0.00)	20,737,817
June 30, 2018	87,042	(9,826,141)	(0.03)	(0.03)	21,511,201
March 31, 2018	286,116	(774,948)	(0.00)	(0.00)	22,985,234
December 31, 2017	346	(4,472,535)	(0.02)	(0.02)	6,409,165

The Company did not pay any dividends during the three and fifteen months ended December 31, 2019. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors of the Company and will depend on the Company's financial position, operating results and capital requirements at the time as well as such other factors that the Board of Directors may consider relevant.

Cash Flows

Cash flows for the three and fifteen months ended December 31, 2019 compared with the three and twelve months ended September 30, 2018

	Three months ended		Fifteen months ended	Twelve months ended
	December 31	September 30	December 31	September 30
	2019 $	2018 $	2019 $	2018 $
Cash flows from operating activities	(1,777,421)	(1,237,770)	(7,912,780)	(4,604,182)
Cash flows from investing activities	(3,067,2210)	(4,039,795)	(16,222,103)	(9,161,686)
Cash flows from financing activities	5,479,838	773,064	18,493,167	18,324,521
(Decrease)/Increase in cash	635,197	(4,504,501)	(5,641,716)	4,558,653
Net foreign exchange differences	(34,912)	(29,653)	-	(11,005)
Cash, beginning of period	324,217	11,100,372	6,566,218	2,018,570
Cash, end of period	924,502	6,566,218	924,502	6,566,218

Cash at the beginning of the three months ended December 31, 2019 was $324,217 (September 30, 2018 – $11,100,372) with a net increase in cash for the quarter of $635,197 (September 30, 2018 – outflow $4,504,501). This increase is due primarily from cash proceeds from the Arlington loan of $3,475,000 (September 30, 2018 – inflow of $773,064). Cash at the beginning of the three months ended September 30, 2018 was $11,100,372 and the Company

had a cash position of $6,566,218 at the end of the quarter. This decrease is due primarily from the cash outflows from operating activities of $1,237,770 and cash outflows from investing activities of $4,039,795.

Cash at the beginning of the fifteen months ended December 31, 2019 was $6,566,218 (September 30, 2018 – $2,018,570), with a net decrease in cash for the period of $5,604,841 (September 30, 2018 – inflow $4,558,653). This decrease is due primarily from cash outflows from operating activities of $7,503,612 (September 30, 2018 – outflow $4,604,182), cash outflows from investing activities of $16,489,325 (September 30, 2018 – outflow $9,161,686) and partially offset by the cash inflow from the Arlington private placement of $10,400,000 and Arlington loan of $6,351,560 (September 30, 2018 – inflow $18,324,521). Cash at the beginning of the twelve months ended September 30, 2018 was $2,018,570 and the Company had a cash position of $6,566,218 at the end of the twelve months ended September 30, 2018.

There has been no change with respect to the overall capital risk management strategy during the three and fifteen months ended December 31, 2019.

Liquidity and Capital Resources

Liquidity risk comes from the Company's general funding needs and in the management of its assets and liabilities. The Company manages liquidity risk to keep sufficient liquid financial resources to fund its balance sheet and meet its commitments and obligations in the most cost-effective way. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. The Company's main sources of funding are equity and debt markets, private placements and outstanding stock options and warrants. The Company has no outstanding debt facility upon which to draw.

Management of Liquidity

Managing liquidity requires constant monitoring of projected cash inflows and outflows using forecasts of the Company's financial position for purposes of ensuring adequate and efficient use of cash resources. The adequate liquidity level is established based on historical volatility and seasonal requirements as well as on planned investments.

As at December 31, 2019, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the three and fifteen months ended December 31, 2019 and the three and twelve months ended September 30, 2018, the Company recorded the following compensation for key management personnel and the Board of Directors:

	Three months ended		Fifteen months ended	Twelve months ended
	December 31	**September 30**	**December 31**	**September 30**
	2019 $	**2018 $**	**2019 $**	**2018 $**
Directors' fees	**38,617**	80,963	**438,621**	590,314
Management fees	**123,333**	88,110	**627,678**	178,110
Stock-based compensation	**55,150**	(3,179,540)	**1,087,129**	6,961,037
Total	**217,101**	(3,010,467)	**2,153,428**	7,729,461

In addition to the related party transactions disclosed elsewhere, the Company entered into the following related party transactions in the normal course of operations.

(a) During the three and fifteen months ended December 31, 2019, the Company incurred fees to a number of management entities of which certain officers or directors of the Company are a related party. For the three months ended December 31, 2019, the total amount for such services was $300,130, which was recorded in directors' fees and management fees (September 30, 2018 – $62,361). For the fifteen months ended December 31, 2019, the total amount for such services was $1,189,879, which was recorded in directors' and management fees (twelve months

ended September 30, 2018 – $352,354). As at December 31, 2019, an amount of $nil (September 30, 2018 – $Nil) owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

(b) During the three and fifteen months ended December 31, 2019, the Company incurred interest charges on loans received from Arlington, a related party. For the three and fifteen months ended December 31, 2019 interest charged in respect of these loans, amounting to $108,353 and $189,842 , respectively (three and twelve months ended September 30, 2018 – $Nil and $Nil, respectively), have been recorded in the audited consolidated statement of loss. As at December 31, 2019, interest accrued but unpaid in respect of the Arlington loans, totaling $147,867 (September 30, 2018 - $Nil), has been recorded in the audited consolidated statement of financial position under accounts payable and accrued liabilities.

Capitalization

As at the date of this MD&A, there were 560,508,032 common shares of the Company issued and outstanding. In addition, there were stock options in respect of 57,627,733 common shares issued and outstanding, of which 52,894,400 were exercisable as at December 31, 2019. There were also warrants in respect of 68,649,955 common shares issued and outstanding as at December 31, 2019. The stock options have weighted average exercise price of $0.21 per share and expiry dates ranging from December 31, 2020 to December 8, 2027. The warrants have a weighted average exercise price of $0.22 per share and a weighted average life of 2.19 years as at December 31, 2019.

Guarantees

As at March 31, 2019, in view of Etea Sicurezza's current weakened liquidity position, lack of sufficient clarity on the business prospects and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors deemed it prudent to provide for a possible demand from the lender to satisfy the Etea Guarantee which has an estimated cost of USD$1,000,000 ($1,324,250).

On November 8, 2019, the Company entered into an agreement to acquire all rights, title and interest in the Etea Notes that were the subject of the Etea Guarantee as well as an additional note issued by Etea in the amount of USD$1,000,000 from the initial holder thereof. As a result, the Etea Guarantee has been cancelled. The initial holder of the notes has also assigned to the Company all of the security that it held in respect of the notes, including the debenture on the assets of Etea and the pledge of shares by Etea's principal shareholder. The purchase price for the notes and security was $2,800,000 which was funded by way of a bridge loan to the Company from the initial holder of the notes.

As at December 31, 2019, Management has decided to reverse the provision for a possible demand from the lender to satisfy the Etea Guarantee. This decision was a result of the Guarantee being cancelled and is discussed in greater detail in the prior paragraph. As a result, during the three and fifteen months ended December 31, 2019, the Company recognized a provision reversal of ($1,324,250) in respect of the Etea Guarantee in the audited consolidated statement of loss.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Judgments and Estimates

As detailed in note 2 of the consolidated financial statements, management has identified critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Changes in Significant Accounting Policies

The Company's significant accounting policies are disclosed under note 3 of the audited consolidated financial statements for the fifteen months ended December 31, 2019.

The pronouncements issued but not yet effective for the year ended September 30, 2018 are disclosed under note 4 to the audited consolidated financial statements for the fifteen months ended December 31, 2019.

Financial Instruments Risk

The Company's financial instruments risk are disclosed under note 18 of the Company's audited consolidated financial statements for the fifteen months ended December 31, 2019.

Risk Factors and Risk Management

Risk Factors

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly by management and the Company's Audit Committee to reflect changes in market conditions and the Company's activities.

Elixxer's common shares should be considered highly speculative due to the nature of the business of investing in high growth businesses, including medicinal cannabis. An investment in Elixxer involves a number of risks. In evaluating Elixxer, it is important to consider that it is an investment vehicle which makes investments and/or acquisitions primarily in medicinal cannabis. The reader should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating Elixxer and its business before making any investment decision in regards to the common shares of Elixxer. The Company's operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company may also impair the Company's business operations. The Company's financial performance is likely to be subject to the following risks:

(a) to date, Elixxer has not paid any dividends;

(b) the directors and officers of Elixxer will devote only a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;

(c) there can be no assurance that an active and liquid market for Elixxer's common shares will develop or continue and an investor may find it difficult to resell its common shares;

(d) the market price for Elixxer's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have significant impact on the market price of the securities of Elixxer. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies;

(e) in the event that management and certain directors of Elixxer reside outside of Canada or the Company identifies a foreign business or assets as a proposed transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any member of management or director resident outside Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgements obtained in Canadian courts;

(f) the Company may acquire a business, properties or assets in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business; and

(g) the Company's success depends to a certain degree upon certain key members of management. It is expected that these individuals will be a significant factor in the growth and success of the Company. Loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

COVID - 19

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company and its investees by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. Presently, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. The Company has not recorded any impairment or adjustments. The Company is monitoring its investment portfolio and possible disruptions to the underlying businesses as a result of COVID-19. The extent of any disruption and the long-term consequences to those businesses is not yet clear.

Investment risks

The business strategy of the Company is to seek new opportunities in the cannabis space, including investing in existing companies and businesses. In the pursuit of such opportunities, the Company may fail to select appropriate businesses, to negotiate appropriate investment terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, the Company may encounter difficulties in its on-going relationships with investee businesses. The Company may fail to realize benefits from any particular investment. The Company cannot provide assurance that it will complete any investment that it pursues on favourable terms, or that it will be approved by the TSX-V or other regulatory authorities, or that any such investments will ultimately benefit the Company. The Company cannot provide assurance that investee businesses will be successful in their applications for licences not yet granted, or that existing licences will be renewed. The Company cannot provide assurance that the investee businesses will be successful in implementing their business strategies, or that they will not be adversely effected by movements in market price, cost of key inputs and foreign exchange.

Change in laws, regulations and guidelines

The laws, regulations and guidelines generally applicable to the cannabis industry in Canada and internationally may change in ways currently unforeseen by the Company. The operations of the Company's various investee businesses are subject to numerous laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of medical or recreational cannabis, as applicable. Any amendment to or replacement of such laws and regulations may cause adverse effects to the operations of the investee businesses and thus to the Company. Such regulatory changes could have a material adverse effect on the business, financial condition and results of operations of the Company. Further, such laws and regulations vary from country to country, and different laws and regulations will apply to the Company's various current or future investee businesses, depending on where such investee businesses are located and where they carry on business. It may not be possible for the Company to ensure that each of its investee businesses complies with all applicable laws and regulations in all jurisdictions, particularly as such laws and regulations are being enacted or amended on an on-going basis. Any failure by one of the Company's investee businesses to comply with all applicable laws and regulations in all jurisdictions could have a material adverse effect on the business, financial condition and results of operations of the Company.

Public perception of medical or recreational cannabis

The use of medical or recreational cannabis is a controversial topic. There can be no guarantee that future scientific research, publicity, regulations, medical opinion or public opinion relating to medical or recreational cannabis will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, restrictive regulations, medical opinion or public opinion relating to the consumption of medical or recreational cannabis may have a material adverse effect on the Company's current or future investee businesses and on the Company's business, results of operation and financial condition.

Competition

The Company's various current and future investee businesses will face significant competition from numerous other businesses, both in Canada and internationally, many of which, when compared to the Company's investee businesses, may have significantly greater financial, technical, marketing and other resources. The significant competition may have

an adverse effect on the Company's various investee businesses and thereby a material adverse effect on the Company's business, results of operation and financial condition.

Contingent liability

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. Elixxer is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

Other Risks

Reference is made to the section entitled "Risk Factors" in Part 1 - General Information in Respect of the Meeting of the Management Information Circular of Knowlton (now LGC Capital) dated June 9, 2016 prepared in connection with the annual and special meeting of Knowlton shareholders held on July 6, 2016 for a discussion of certain of the risk factors applicable to the Company and its business. The Management Information Circular is available under Elixxer's profile on SEDAR at www.sedar.com.

Additional Information

Additional information relating to the Company, including the most recent Company filings, is available under the Company's profile on the *System for Electronic Document Analysis and Retrieval* at www.sedar.com.