LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended March 31, 2018

As at May 30, 2018

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The following management’s discussion and analysis (“MD&A”) of the results of operations and financial condition of LGC Capital Ltd. (“LGC Capital” or the “Company”) covers the three and six months ended March 31, 2018 and 2017. It should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of LGC Capital for the three and six month periods ended March 31, 2018 and 2017.

The unaudited condensed interim consolidated financial statements of LGC Capital for the three and six month periods ended March 31, 2018 and 2017 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”) and Euros (“EUR”).

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

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

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

LGC Capital and its wholly-owned subsidiaries Leni Gas Cuba Limited and LGC Capital EU OU are collectively referred to as the "Company" in this MD&A.

Description of the Company's Business

LGC Capital is an investment holding company, with the objective to be a diversified business group with core business divisions that provide shareholders with exposure to a diverse range of high growth businesses, products and services. Towards its growth strategy, the Company is currently 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. The Company's aim is to be actively involved and invested in as many jurisdictions globally that allow legal cultivation and production of medical cannabis products.

LGC Capital's significant investments and activities, as at May 30, 2018, are outlined below.

Financial Position

As at March 31, 2018, LGC Capital had consolidated cash and net assets of $16,205,214 and $19,674,146 respectively.

Medical Cannabis Sector

The Company is on an aggressive acquisition path to acquire and invest in significant medical cannabis businesses around the world, towards LGC Capital having a broad global footprint in the sector. LGC Capital's focus is to be actively involved and constantly seek new investment opportunities on numerous continents, as more and more countries enact new medical cannabis legislation.

Canada:

- ***Tricho-Med Corporation:*** LGC Capital has provided Tricho-Med Corporation ("Tricho-Med") with a four-year secured convertible loan of $4,000,000, which will convert into a 49% equity interest in Tricho-Med on it obtaining a license to produce medical cannabis from the relevant regulatory authorities. As consideration for entering into the loan agreement, the Company will also receive a 5% royalty on net sales. Tricho-Med's objective is to establish itself as one of the largest growing operations of medical cannabis in Quebec, Canada. To date the Company has provided $2,000,000 in funds in trust, of which $1,218,459 has been drawn down by Tricho-Med. At the filing of this report, Tricho-Med is about to break ground on its Phase-1 project, a 38,000 sqaure foot, multi-level Good Manufacturing Practice (GMP) growing and processing plant for medical cannabis. Upon completing Phase-1, Tricho-Med will be proceeding with its application for a growing license from Health Canda to which it has completed its intake and intial screening to date. Tricho-Med has also completed its detailed review and initiation of security clearance process.

Jamaica:

- ***Global Canna Labs Limited:*** On May 15, 208, LGC Capital signed final agreements with rapidly developing Jamaican medical cannabis company Global Canna Labs Limited ("Global Canna Labs") and one of its major shareholders for a strategic investment in the Jamaican cannabis market as part of the Company's ongoing international expansion. Medical Cannabis is legal in Jamaica and the project recently passed its final inspection with Cannabis Licensing Authority of Jamaica. The first agreement provides that LGC Capital will subscribe for a $2,500,000 secured debenture, to be disbursed in tranches in accordance with the achievement of milestones in Global Canna Labs' business plan, which debenture will be convertible into an initial 30% strategic interest in Global Canna Labs. The second agreement provides that LGC Capital will also acquire a 5% royalty on Global Canna Labs' net sales for $2 million, payable in shares of LGC Capital. The royalty may be repurchased at any time for $6 Million in cash and or shares of Global Canna Labs, at the royalty holder's option. The Company has completed due diligence and is awaiting final approval from the TSX Venture Exchange to complete the transaction with Global Canna Labs. The first cannabis grow cycle by Global Canna Labs is scheduled for summer 2018.

Australia:

- ***Little Green Pharma***: LGC Capital currently owns a 14.99% interest in licenced Australian medical cannabis company Habi Pharma Pty Ltd (doing business as "Little Green Pharma"), which is licenced by the Australian Government to commercially produce medical cannabis for the Australian market. Little Green Pharma commenced it's first planting in December 2017, with its first harvest of medical cannabis in April 2018 being a significant milestone. Following completion of processing, and subject to the strict Australian regulatory Therapeutic Goods Order no. 93, Little Green Pharma expects to have the first Australian grown Medical Cannabis products available for sale both domestic and international markets.

Europe:

- ***CLV Frontier Brands Pty Ltd:*** On April 18, 2018, LGC Capital announced that the TSX Venture Exchange had conditionally approved the Company's investment of a one-third interest in CLV Frontier Brands Pty Ltd ("CLV"). CLV is to develop and market a bespoke beer contain terpenes, which carry the flavour and aroma of cannabis and do not contain THC or CBD or any other cannabinoids. CLV is a joint venture company between LGC Capital and its partners Creso Pharma Limited ("Cresco") and Baltic Beer Company Ltd (UK) ("Baltic Beer"). Cresco is a Swiss-based and Australian-listed pharmaceutical company, and Baltic Beer is a UK-based company and the producer of the award winning Viru Beer in Estonia. CLV is planning to have its first beers and tonics on sale in Europe and Canada during the summer, with global sales to follow shortly thereafter. CLV is developing a bespoke and unique range of beers and tonics at its newly-built facilities in Europe, with test brewing well advanced.

Italy:

- ***Evolution Bnk*:** On March 12, 2018, LGC announced the signing of a letter of intent ("LOI") with Evolution Bnk ATM SRL ("Evolution Bnk") for a EUR3.0 million (approx. $4.7 million), secured loan, convertible in certain circumstances into a 49% equity interest. The LOI also provides that LGC will acquire a 5% royalty on net sales. The transaction with Evolution Bnk is subject to due diligence, conformity with Italian laws and regulatory approval, including the TSX Venture Exchange . Evolution Bnk is currently retrofitting its first 5,000 m2 (54,000 sq.ft.) greenhouse in San Remo Italy, which it believes will have the capability to produce about 7,500 kg of cannabis. San Remo has significant available greenhouse infrastructure, which provides scope for future large scale expansion by Evolution Bnk, with the planned conversion and commissioning of another 15,000 m^2 (160,000 sq. ft.) of greenhouse space over the coming year. The cannabis to be produced by Evolution Bnk will be legal low THC (0.2% THC by Italian law) "Cannabis Light" which is sold in Italian tobacconists. On April 4, 2018, Evolution Bank announced that it had filed a patent for its "eco-friendly" solar power application to reduce cannabis production costs while increasing crypto mining revenues. Evolution Bnk has been crypto mining, on contract, producing Bitcoin and Etherium that is linked to a fiat currency, the Euro. To date they have four crypto Bitcoin ATM locations in Italy.

South Africa:

- On March 23, 2018, the Company announced that it had formally terminated its option to acquire a 30% interest in South Africa based House of Hemp (Pty) Ltd ("House of Hemp"), in favour of focusing its resources on developing its fast-growing investments in Australia, Montreal/Canada, Jamaica and Europe. The Company's 50/50 joint venture with AfriAg (Pty) Ltd had the exclusive right to acquire a 60% interest in House of Hemp. However the South African Government has to date not put in place the legislative framework for the legalization of medical cannabis in that country. As a result there is insufficient clarity for LGC Capital towards House of Hemp's pathway towards obtaining medical cannabis production licences to meet the Company's criteria for near-term production and cash-flow potential. LGC Capital continues to examine new near-term cash-flow investment opportunities in southern Africa.

Cannabis Technology

- The Company has decided at this stage not to advance on its plans to utilise blockchain technologies to develop an efficient global marketplace technology platform for a reliable and verifiable purchase and payment system to track cannabis product shipments.

Merchant Banking

The Company has established a merchant banking division to pursue global high-yield investment opportunities, which will run parallel with and will not deter efforts from LGC Capital's cannabis investments and the pursuit of additional cannabis opportunities.

- ***Etea Sicurezza:*** Further to the Company's establishment of a merchant banking division, the Company entered into a Letter of Intent with UK-based fire safety and security company Etea Sicurezza Group Ltd ("Etea Sicurezza") for a potential acquisition of approximately 20% of Etea Sicurezza by the Company. In 2017 Etea Sicurezza achieved unaudited consolidated revenues of over USD $10 million, a 26.5% increase over 2016. Etea Sicurezza's clients include Ferrari, Buhler, L'Oreal, Unilever, Siemens, Petrobras, Ferrero, Coca-Cola, Martini, Heinz, E.On, Luxottica Group, Shell, Michelin and Roche. The potential investment in Etea Sicurezza is subject to a number of conditions, including completion of due diligence reviews by the Company, the negotiation and execution of a definitive agreement, and approval by the TSX Venture Exchange. The Company has provided a guarantee of all of the obligations incurred by Etea Sicurezza in respect of notes issued by Etea Sicurezza with a principal of USD$1,000,000. In consideration for providing this guarantee, the Company is to receive a 3% equity interest in Etea Sicurezza and a fee.

Review of Activities

Capital Raising – December 2017

On December 1, 2017, the Company announced that it had raised gross proceeds of $2,980,773 at a first closing of a private placement by issuing 19,871,822 units at a price of $0.15 per unit. On December 7, 2017, the Company announced the completion of the private placement by issuing 5,000,000 additional units for gross proceeds of $750,000 at a second closing. As a result, LGC Capital raised a total of $3,730,773 in the private placement by issuing 24,871,822 units, each comprised of one common share and one common share purchase warrant. Each warrant entitles its holder to acquire one additional common share at a price of $0.25 for a period of 18 months from the closing date. In the event that the volume weighted average trading price of LGC Capital's shares on the TSX Venture Exchange for a period of ten consecutive trading days is at least $0.30, LGC will be entitled to send a notice to the holders of the warrants accelerating the expiry date of the warrants to a date not less than 30 days after the date of such notice.

The Company will use the net proceeds from the private placement to meet its obligations within the Company's current cannabis investment portfolio and for working capital.

At the first closing, LGC Capital paid cash commissions to various securities dealers in an aggregate amount of $127,624, representing 5% of the proceeds from the sale of units sold through such dealers. In addition, LGC Capital issued an aggregate of 850,828 "broker warrants" to such dealers, representing an amount equal to 5% of the number of units sold through them. Each of the "broker warrants" entitles its holder to purchase one additional unit at a price of $0.15 for a period of 18 months from the closing date of the private placement. The securities issued at the first closing are subject to a "hold period" which expires on April 2, 2018.

At the second closing, the Company paid a cash commission of $37,500 and issued 250,000 "broker warrants" to one person, representing 5% of the proceeds from the closing and 5% of the number of units issued at the closing, respectively. Each of the "broker warrants" entitles its holder to purchase one additional unit at a price of $0.15 for a period of 18 months from the closing date of the private placement. The securities issued at the second closing are subject to a "hold period" which expires on April 8, 2018.

Capital Raising – February 2018

On February 16, 2018, the Company announced the completion of a bought-deal private placement, including a partial exercise of the underwriter's option, by issuing 18,515,000 units at a price of $0.435 per unit for gross proceeds to the Company of $8,054,025. The units were sold to "accredited investors" in Canada and internationally through Cormark Securities Inc. ("Cormark Securities") as underwriter. Each of the units is comprised of one common share and one common share purchase warrant. Each full warrant entitles its holder to subscribe for one additional common share of the Company at an exercise price of $0.49 for 36 months from the closing date. In the event that the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for a period of 20 consecutive trading days commencing four months from the closing date is at least $0.65, the Company will be entitled to send a notice to the holders of the warrants accelerating the expiry date of the warrants to a date not less than 30 trading days after the date of such notice.

At closing, the Company paid a cash commission to Cormark Securities, as underwriter, in an amount equal to 6% of the gross proceeds from the private placement. In addition, the Company issued 1,110,900 "broker warrants" to Cormark Securities, representing 6% of the number of units issued and sold in the private placement. Each of the "broker warrants" entitles its holder to purchase one additional unit at the offering price of $0.435 for a period of three years from the closing date of the private placement.

The securities issued at the closing are subject to a "hold period" which expires on June 17, 2018.

In connection with the private placement, each of the Company's six directors and officers entered into a Lock-up Agreement with Cormark Securities under which they agreed not to sell any common shares of the Company or any securities convertible or exchangeable into common shares of the Company for a period of 120 days from the closing date of the private placement without the prior consent of Cormark Securities, subject to limited exceptions.

The Company also announced that it had loaned an aggregate of $210,328 to three of the Company's directors and/or officers in order to fund the exercise by them of stock options in the Company and an additional $442,853 to fund the payment by them of related taxes. The loans, which do not bear interest, must be repaid within two years and are subject to approval by the TSX Venture Exchange.

Investment Agreement for US$2,340,000 loan

On February 8, 2018, the Company announced that it had completed a transaction with international investors YA II PN, Ltd and Cuart Investments PCC Limited pursuant to which they loaned an aggregate amount of US$2,340,000 (approximately $2,940,000) to the Company.

The loan has a term of twelve months and bears interest at an annual rate of 9.5%, payable quarterly in arrears. The principal amount of the loan is 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 $0.538 ($0.675), representing the US dollar equivalent of 135% of the closing price of the Company's shares on the TSX Venture Exchange on December 29, 2017 ($0.50), and (ii) 90% of the lowest daily volume weighted average trading price of the Company's shares during the five trading days immediately preceding the date of a conversion notice from the lenders, subject to a minimum conversion price of $0.50.

At closing, the Company issued an aggregate of 1,643,764 common share purchase warrants to the two lenders, representing an amount equal to 25% of the dollar amount of the loan divided by $0.4465, being the volume weighted average trading price of the Company's shares during the five trading days ended December 29, 2017. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.70, representing 140% of the Company's closing price on December 29, 2017, for a period of one year from the date of issuance.

In connection with the Investment Agreement, the Company paid a cash due diligence fee to RiverFort Global Capital Ltd. ("RiverFort") of London, England. At closing, the Company also paid a structuring fee to RiverFort by issuing 376,162 shares to it, representing an amount equal to 12.5% of the dollar amount of the loan from YA II PN, Ltd, less the amount of the due diligence fee, divided by $0.675, representing 135% of the closing price of the Company's shares on the TSX Venture Exchange on December 29, 2017 ($0.50).

The securities issued at the closing are subject to a "hold period" which expires on June 9, 2018.

Little Green Pharma (Australia)

On October 5, 2017, the Company executed a subscription agreement with the licensed Australian medical cannabis company Habi Pharma Pty Ltd (doing business as "Little Green Pharma"). On October 12, 2017, the Company completed the initial acquisition of 2,161,091 shares of Little Green Pharma, representing an initial 4.99% of its issued and outstanding share capital, by paying AUD$432,218 and issuing 5,660,000 common shares of LGC Capital at a deemed issue price of $0.11 per share ($622,600), for a total consideration of $1,045,568. Closing was conditional upon the Company having obtained all requisite regulatory and TSX Venture Exchange approvals.

On October 23, 2017, the Company announced that Little Green Pharma had now received its final permits from the Australian Government enabling it to move to its first commercial production of medical cannabis for the Australian market. On December 14, 2017, the Company announced that Little Green Pharma commenced planting its first medical cannabis crop in Australia.

Further, on November 1, 2017, as a result of share issuances by Little Green Pharma to other parties, the Company subscribed for a further 752,937 shares of Little Green Pharma for cash consideration of AUD$150,587 so as to maintain its 4.99% shareholding.

Under the subscription agreement, subject to certain Australian regulatory approvals, and subject to approval by Little Green Pharma in its sole discretion, LGC Capital may further subscribe, at its option, for additional shares of Little Green Pharma in order to increase its shareholding to a maximum of 19.03%.

On December 14, 2017, the Company subscribed for an additional 4,585,972 shares of Little Green Pharma for cash consideration of AUD$917,194, thereby increasing its shareholding to 11.91%. This followed confirmation from the Australian Government's Office of Drug Control for the Company to increase its interest in Little Green Pharma above 4.99%.

On February 15, 2018, the Company announced the completion of an increase in its strategic interest in Little Green Pharma from 11.91% to 14.99%. At closing, Little Green Pharma issued 2,283,495 additional shares to the Company at a deemed issue price of AUD $1.16398 per share for a total consideration of approximately AUD $2,657,950. The Company paid for the shares by issuing 5,000,000 shares in the Company to Little Green Pharma at a deemed issue price of $0.53 per share, representing the closing price of the Company's shares on the TSX Venture Exchange on January 19, 2018, for a total consideration of $2,650,000, equivalent to AUD $2,679,150 based on the Bank of Canada exchange rate on February 14, 2018. The 5,000,000 shares in the Company are subject to a "hold period" which expires on June 15, 2018. The subscription agreement entered into by the Company and Little Green Pharma at closing contains an undertaking by the Company to participate in Little Green Pharma's next capital raise, by June 30, 2018, to the extent required to maintain the Company's 14.99% shareholding in Little Green Pharma.

In April 2018, the Little Green Pharma achived the significant milestone of its first harvest of medical cannabis as a result of it's first planting in December 2017. Following completion of processing, and subject to the strict Australian regulatory Therapeutic Goods Order no. 93, Little Green Pharma expects to have the first Australian grown Medical Cannabis products available for sale both domestic and international markets.

Tricho-Med (Previously called AAA Trichomes, Montreal, Quebec, Canada)

On October 31, 2017, the Company announced that it had signed an option with Quebec-based Tricho-Med Corporation, doing business as Tricho-Med ("Tricho-Med") to loan $4 million to Tricho-Med, convertible in certain circumstances into 49% of the then-issued and outstanding shares of Tricho-Med and a 5% royalty on its net sales. Tricho-Med is planning to build a new cannabis processing facility in the Province of Quebec.

Subject to permitting, the Tricho-Med processing facility will be one of the first enclosed multi-level medical cannabis facilities in Quebec. Tricho-Med is scheduled to start operations in 2019 with an initial annual production rate of over 2,500 kilograms reaching a planned production rate of over 20,000 kilograms by 2021.

On December 18, 2017, the Company announced that the TSX Venture Exchange had approved the Company's proposed transaction with Tricho-Med.

On January 8, 2018, the Company announced that it had finalized the transaction with Tricho-Med and entered into a four-year secured convertible loan agreement with Tricho-Med in an amount of $4,000,000 (the "Loan"), which will be disbursed in accordance with a pre-agreed milestone disbursement schedule. Upon Tricho-Med obtaining a license to produce medical cannabis from the relevant regulatory authorities, the Loan will convert into common shares of Tricho-Med representing 49% of Tricho-Med' then-issued and outstanding shares. LGC Capital will also receive a 5% royalty on Tricho-Med' net sales. The Loan will bear interest at an annual rate of 10%, have a term of four years and be secured by first-ranking security on all of Tricho-Med' assets. In the event that Tricho-Med does not become a publicly-listed company within twelve months of having obtained the licence, LGC Capital will receive such number of shares so that it owns 54% of the then-issued and outstanding shares of Tricho-Med, subject to approval by the TSX Venture Exchange.

On April 30, 2018, the Company announced that demolition has begun at Tricho-Med's site in Brownsburg, Quebec, to clear the way for construction of their initial 34,000 square feet state-of-the-art multi-level indoor growing facility for Medical Cannabis. The initial Phase-1 facility of 34,000 sq. feet will comprise of 7 air tight, controlled atmosphere flowering chambers. The facility has been designed to ensure it qualifies as a GMP facility. Tricho-Med is targeting to have the steel structure and building envelope completed by the end of October this year. Tricho-Med also plans to increase the scale of its operations, with new land options now signed, to over 2 million square feet of gross building areas (power availability permitting) of controlled atmosphere production capacity.

Tricho-Med has also formally engaged Cannabis Compliance Inc., Canada's original cannabis consulting firm (www.cannabiscomplianceinc.com) to manage its compliance and licensing approvals. Cannabis Compliance Inc. has successfully guided a number of Canadian Medical Cannabis companies through the Health Canada approval process.

Tricho-Med is on track for its Health Canada inspection by the fall of this year. The company expects to run its two trial harvests as soon as Phase-1 construction is complete, which is a condition to being granted a full growing and production license.

To date the Company has provided $2,000,000 in funds in trust, of which $1,218,459 has been drawn down by Tricho-Med.

Global Canna Labs (Jamaica)

On January 26, 2017, the Company announced that it had entered into a Letter of Intent ("LOI") with Jamaican cannabis company Global Canna Labs Limited ("Global Canna Labs") and one of its major shareholders, for a strategic investment in the Jamaican cannabis market as part of LGC Capital's ongoing international expansion. The transaction is comprised of two parts:

- LGC Capital will, by way of a secured convertible debenture (the "Debenture"), invest $2,500,000 which will be disbursed in tranches in accordance with the achievement of milestones in Global Canna Labs' business plan; and

- LGC Capital will purchase a 5% royalty ("Royalty") on Global Canna Labs' net sales for $2,000,000, payable in shares of LGC Capital.

The Debenture will have a four-year term, carry interest at an annual rate of 7%, and be secured by the assets of Global Canna Labs. The Debenture will be convertible into common shares of Global Canna Labs or a to-be-formed Canadian affiliate so as to comply with Jamaican foreign ownership rules, corresponding to a 30% ownership interest in Global Canna Labs. The Debenture will be converted immediately prior to any liquidity event.

The Royalty will also be secured by the assets of Global Canna Labs, which will have the right to repurchase the Royalty for $6,000,000.

Closing of the transaction with Global Canna Labs is subject to due diligence, the parties entering into definitive agreements and to standard closing conditions. The transaction is subject to regulatory approval, including that of the TSX Venture Exchange.

On April 20, 2018, the Company announced that it had successfully completed its due diligence in respect to Global Canna Labs. This was followed by the announcement by the Company on May 15, 2018 that definitive agreements for the investment in Global Canna Labs had been completed and had now been submitted to the TSXV for review and approval.

On February 9, 2018, LGC entered into an agreement with Global Canna Labs to provide it with a bridging loan (the "Bridging Loan") for $100,000. The Bridging Loan is repayable upon demand and pays interest at a rate of 7% per annum. The balance on the Bridging Loan will be rolled into the Global Canna Labs convertible secured debenture once agreements for this transaction are finalized. On April 17, 2018, the Company entered into an agreement with Global Canna Labs to provide it with a second bridging loan for $100,000, on the same terms as the first Bridging Loan. On May 22, 2018, the Company entered into an agreement with Global Canna Labs to provide it with a third bridging loan for $200,000, on the same terms as the previous Bridging Loans.

Joint Venture with Creso Pharma and Baltic Beer (Europe)

On November 9, 2017, the Company announced the formation of a strategic alliance with Creso Pharma Limited ("Cresco"), an Australian-listed and Swiss-based pharmaceutical company, intended to create a vertically-integrated cannabis operation with a global footprint spanning cultivation, IP generation, innovative product development and commercialisation.

On November 29, 2017, the Company announced it had signed a Binding Letter of Intent with Creso and Baltic Beer Company Ltd (UK) ("Baltic Beer") to develop and market a bespoke portfolio of alcoholic and non-alcoholic beverages containing terpenes, which carry the flavour and aroma of cannabis but do not contain THC or CBD or any other cannabinoids. Baltic Beer is the producer of the multi-award winning Viru Beer in Estonia.

On January 11, 2018, the Company announced the launch of the joint venture company CLV Frontier Brands Pty Ltd ("CLV"), in which the Company, Cresco and Baltic Beer will each have a one-third interest. The Company's involvement in the joint venture is subject to the approval of the TSX Venture Exchange.

On April 18, 2018 the Company announced that the TSX Venture Exchange had conditionally accepted LGC's joint venture investment in CLV, subject to LGC filing standard documentation with the Exchange.

CLV is planning to have its first beers and tonics on sale in Europe and Canada during the summer, with global sales to follow shortly thereafter. CLV is developing a bespoke and unique range of beers and tonics at its newly-built facilities in Europe, with test brewing well advanced.

CLV's beer will contains terpenes, which carry the flavour and aroma of cannabis and do not contain THC or CBD or any other cannabinoids. The terpenes used in CLV's beer will not contain cannabis or hemp ingredients, as may have been referred to in previous LGC press releases. The terpenes are extracted from various plant sources, all of which are food-grade, 100% natural and non-genetically modified (GMO) ingredients. The terpenes are pure, not contaminated with any other ingredient, and safe for human consumption as flavouring ingredients, meeting the criteria of FDA/FEMA GRAS (generally recognized as safe) for human consumption. The terpenes are introduced to the beer at the post-fermentation stage in much the same manner as hop extracts are added.

Evolution Bnk (Italy)

On March 12, 2018 the Company announced the signing of a Letter of Intent with Evolution Bnk for a secured loan by LGC Capital in an amount of EUR3.0 million (approx. CAD $4.7 million), convertible in certain circumstances into a 49% equity interest in Evolution Bnk. The LOI also provides that LGC will acquire a 5% royalty on Evolution Bnk's net sales.

Evolution Bnk is establishing a new cannabis cultivation operational division, with the first 5,000 m2 currently under construction in the famous flower-growing region of Sanremo on Italy's Mediterranean coast. Evolution Bnk is also generating revenues from Bitcoin mining and Bitcoin ATM machines, which have been and are being added into the Italian market.

The LOI provides that the Company will lend EUR3 million to Evolution Bnk, with the loan to have a four-year term, bear interest at an annual rate of 10% and be secured by first-ranking security on all of the assets of Evolution Bnk. LGC Capital will advance the funds in tranches in accordance with budgets and timetables provided by Evolution Bnk, all to the satisfaction of the Company. Evolution Bnk will use the proceeds from the loan for the realization of its business plan, to LGC Capital's satisfaction. The loan will be convertible into Evolution Bnk shares at LGC Capital's discretion at the time of a liquidity event. In the event that the loan is converted in full, the Company will acquire 49% of the then-issued and outstanding shares of Evolution Bnk. As consideration for providing the loan, LGC Capital will receive a 5% royalty on Evolution Bnk's net sales, payable to the Company on a quarterly basis.

Closing of the transaction with Evolution Bnk is subject to satisfactory due diligence on the part of LGC Capital, the parties entering into definitive agreements, standard closing conditions, and regulatory approval, including that of the TSX Venture Exchange. At the closing of the loan transaction, the Company will pay a finder's fee to an arm's-length third party in an amount equal to 6% of the value of the transaction, payable 50% in cash and 50% in LGC Capital shares. LGC Capital will issue the shares at a price per share equal to the closing price of its shares on the TSX Venture Exchange immediately prior to the closing of the loan transaction.

The cannabis to be produced by Evolution Bnk will be legal low THC (0.2% THC by Italian law) “Cannabis Light” which is sold in Italian tobacconists.

Evolution Bnk’s objective is to become a leader in Italy for the production and distribution of industrial cannabis produced in greenhouses usings its own proprietary patents, and also to become a leader in cryptocurrency and ATM management connected to a network of its own (bidirectional satellite intranet).

The Company proposes to invest in Evolution Bnk in part due to its integrated approach, which combines their energy efficiency and heat transfer technology designed to significantly lower operating costs of cannabis production. On April 4, 2018 the Company announced that Evolution Bnk has filed a patent for an environmentally responsible energy consumption solution which will satisfy the bulk of its power requirements for its cannabis growing operations as well as its cryptocurrency mining business.

Evolution Bnk is in the process of completing the construction of its first cannabis cultivation facility on 5,000 m^2 in Sanremo, where it is converting especially chosen old glass greenhouses in the famous flower-growing region of Sanremo on Italy's Mediterranean coast, which are ideally suited for a complete rebuild. The rebuilt greenhouses will see the glass roofs replaced fully with solar panels and will include the construction of a basement for the installation of an array of computer servers for its crypto-currency mining business. The basement will include a ventilation system that will provide year-round temperature control for the cultivation of cannabis. The Sanremo greenhouses will be fully enclosed and will be equipped with artificial lighting to provide for the maximum number of crop cycles per year.

Evolution Bnk believes its first 5,000 m^2 greenhouse in San Remo, will have the capability to produce about 7,500 kg of cannabis. San Remo has significant available greenhouse infrastructure, which provides scope for future large scale expansion by Evolution Bnk, with the planned conversion and commissioning of another 15,000 m^2 (160,000 sq. ft.) of greenhouse space over the coming year.

Evolution Bnk has been crypto mining, on contract, producing Bitcoin that is linked to a fiat currency, the Euro. To date they have four Bitcoin ATM dispensaires in Italy.

On April 16, 2018, the Company entered into an agreement with Evolution Bnk to provide it with a bridging loan (the ”Evolution Bridging Loan”) for a total of EUR400,000 ($626,480). The Evolution Bridging Loan is repayable by July 16, 2018 and pays interest at a rate of 10% per annum. The Evolution Bridging Loan is secured by a personal guarantee by a shareholder of Evolution Bnk.

AfriAg Joint Venture and House of Hemp

On June 26, 2017, the Company announced that it had entered into a strategic alliance with AfriAg (Pty) Ltd (“AfriAg”) to create a new 50/50 Joint Venture to grow and distribute medical and recreational cannabis products in the southern African region for export to regulated and certified end users around the world.

To the Company’s knowledge, AfriAg has extensive experience with managing agriculture operations including greenhouse cultivation. It also owns and manages certified facilities and is one of the largest distributers of perishable food products by airfreight to the world from the southern African region. AfriAg is a global agriculture and agri-logistics specialist, and provides crop growing and logistics solutions, food marketing and bespoke distribution services, by road, air and sea, to many major food retailing and wholesale corporations around the world. AfriAg is 40% owned by London-listed AfriAg Global PLC. David Lenigas, Co-Chairman and a director of LGC Capital, is Executive Chairman of AfriAg Global PLC and a director of AfriAg.

The new Joint Venture will aim to develop a fully-regulated cannabis growing and processing industry in the southern African region for export to certified end users world-wide. AfriAg will assist LGC Capital with securing significant agricultural land packages and processing facilities in the region to grow cannabis crops and produce, including seeds, cannabis extracted oils, dried marijuana leafs, cigarettes and vapours.

On July 18, 2017, the Company announced that the Company and AfriAg, its strategic joint venture partner on this medical cannabis initiative, had signed sole and exclusive agreements to acquire a 60% interest in South Africa’s House of Hemp.

The Company announced that it and AfriAg had been working closely with House of Hemp’s senior management and advisors during this extensive due diligence period to date since the Company announced this proposed acquisition in July 2017, that due diligence was progressing well and on track, and that all parties were working to secure the upgraded permits necessary to commence research, cultivation and commercial production of medical cannabis within the new proposed Medical Controls Council (MCC) guidelines which were released in November 2017.

House of Hemp in South Africa has a long-term lease on the only South African certified indoor growing facility for the possession and cultivation of the Cannabis Sativa Plant for research purposes which includes growing, extraction and packaging, at the Dube TradePort AgriZone, which is located within the highly secure precinct of the Durban International Airport.

The Greenhouse “Block D” site is currently the only approved hemp/cannabis indoor growing site in South Africa. The site consists of approximately 37,633m² (405,000 square feet) of fully equipped, temperature regulated and humidity controlled greenhouse under glass plus associated support infrastructure comprising refrigerated pack houses, laboratories and offices covering 1,760m2 (19,000 square feet).

In 2010, House of Hemp became the first private company in South Africa to be awarded an exclusive permit from the Department of Agriculture and the Department of Health to legally cultivate and process hemp and cannabis products and has licences in place to import cannabis seed and products.

Since its establishment, House of Hemp has been targeting research on all cannabis-related markets (textiles/fibres, oil/nutrition and medicinal) and has been appointed to coordinate commercial research on medical cannabis and is currently in the process of securing a second R&D license to grow and commercialize medicinal cannabis and medicinal cannabis products with varying Tetrahydrocannabinol (“THC”) and CBD content, and to operate legally in South Africa.

LGC Capital and AfriAg jointly signed a binding agreement with House of Hemp, for the sole and exclusive right to acquire a 60% beneficial interest in House of Hemp, with an initial payment of $19,595 and $37,000 monthly for a period of six months to keep House of Hemp fully funded while completing the transfer of interest documentation and to allow for sufficient time to complete investigative studies on the most cost efficient ways of commencing scalable production. This transaction is subject to completion of satisfactory due diligence and TSX Venture Exchange approval.

On March 23, 2018, the corporation’s Directors decided to terminate its option to acquire, through its 50/50 joint venture with AfriAg, a 30% interest in House of Hemp given legislative delays in South Africa adversely impacting the timeline for House of Hemp to obtain the necessary commercial licenses. To date, the South African Government has not put in place the legislative framework for the legalization of medical cannabis in that country. As a result there is insufficient clarity for LGC Capital towards House of Hemp’s pathway towards obtaining medical cannabis production licences to meet the Company’s criteria for near-term production and cash-flow potential.

During the three and six-month periods ended March 31, 2018, the Company incurred due diligence and other related expenses totaling $91,660 and $162,367 respectively [March 31, 2017 – $Nil and $Nil] related to House of Hemp.

Together with AfriAg, LGC Capital continues to examine new near-term cash-flow investment opportunities in southern Africa.

Etea Sicurezza Group (Merchant Banking)

On October 10, 2017, the Company announced that it has formally established a merchant banking division, which will pursue global high-yield investment opportunities. As part of this announcement, 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 Sicurezza Group Ltd (“Etea Sicurezza”), an unrelated entity, pursuant to an issuance of notes by it to an unrelated party in an aggregate principal amount of USD $1,000,000 (the “Notes”). The Notes have a term of two years, 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, Etea Sicurezza will issue shares to the Company representing 3% of its outstanding shares and pay an annual cash fee to the Company.

Based in London, England, Etea Sicurezza (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 Sicurezza was founded in 1998 and is now a global leader in the field of high-tech safety with offices in seven countries and agents in 20 countries. Etea Sicurezza 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 November 1, 2017, the Company announced that it had entered into a letter of intent with Etea Sicurezza for a potential acquisition of approximately 20% of Etea Sicurezza by LGC Capital. The letter of intent will form the basis for the negotiation of a mutually-satisfactory definitive agreement to be entered into between LGC Capital and the Etea Sicurezza shareholders. The potential transaction is subject to due diligence, the negotiation of a definitive investment agreement, and necessary regulatory approvals, including that of the TSX Venture Exchange.

In partnership with the Company's Merchant Banking division, Etea Sicurezza is developing a high efficiency mist irrigation system for the Medical Cannabis Industry with the Etea Low Pressure Water Mist ("LPWM") system. LPWM is able to provide drops of 300 microns for uniform irrigation, avoiding soil damage and water waste, important for large greenhouses and plantations in controlling temperature and humidity through water misting. This is expected to be a major benefit to all global cannabis growing operations in maintaining the consistency of the growing environment. This environmentally safe alternative system has the potential to improve results, crop yields and potentially an improved bottom line for customers.

On March 1, 2018, the Company announced that Etea Sicurezza beat revenue expectations in 2017, closing the financial year with consolidated revenue of more than USD$10 million, a 26.5% increase over 2016 consolidated revenue of USD $7.4 million.

On May 22, 2018, the Company entered into an agreement with Etea Sicurezza to provide a bridging loan (the "Etea Bridge Loan") for up to EUR500,000 ($754,074) for a term of six months. The first draw of the Etea Bridge Loan was in the amount of EUR74,465 ($112,305) and shall be withheld by the Company to pay the expenses incurred by the Company in connection with the LGC Guarantee and potential further investment. The second draw of the Etea Bridge Loan is in the amount of EUR400,000 ($603,259) for working capital. The third draw of the Etea Bridge Loan in the amount of EUR25,535 ($38,510) shall be payable at the Company's discretion. The Etea Bridge Loan pays interest at a rate of 8% per annum on the second draw down. This transaction may alter the LOI terms, resulting in an equity interest of more than 20%.

Stock option grants and amendments to 2016 Stock Option Plan

On November 15, 2017, the Company granted an option to a consultant to purchase up to 5,500,000 common shares in the Company at $0.15 per share on or before November 15, 2018.

On December 8, 2017, the Company's Board of Directors granted an aggregate of 6,475,000 stock options to six of the Company's directors and officers and two consultants. The stock options have an exercise price of $0.36, representing the closing price of the Company's shares on the TSX Venture Exchange on December 7, 2017, and a term of ten years. The stock options were granted under the Company's 2016 Stock Option Plan.

In addition, on December 8, 2017, the Board of Directors amended the 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder to 58,946,726 shares, equal to 20% of the 294,733,632 common shares of the Company then issued and outstanding. The amendment to the 2016 Stock Option Plan has been conditionally approved by the TSX Venture Exchange and remains subject to shareholder approval.

Following the amendment to the 2016 Stock Option Plan, the Board of Directors granted an aggregate of 12,025,000 additional stock options to six of the Company's directors and officers and two consultants. These additional stock options also have an exercise price of $0.36 and a term of ten years and were granted under the Company's 2016 Stock Option Plan, as amended. The 12,025,000 stock options may not be exercised until such time, if any, as the Company acquires shareholder approval for the amendment to the 2016 Stock Option Plan and disinterested shareholder approval for the grant of 9,750,000 stock options to six directors and officers of the Corporation comprised in the 12,025,000 stock options.

On February 21, 2018, the Company announced the amendment to its 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder to 71,230,957 shares, equal to 20% of the 356,154,788 common shares issued and outstanding in the Company following the recent completion by the Company of its $8 million bought-deal private placement. The increase represents 12,294,231 additional common shares. The amendment to the 2016 Stock Option Plan was subject to approval of the TSX Venture Exchange and to shareholder approval, at the annual meeting held on April 9, 2018.

At the annual meeting on April 9, 2018, shareholders adopted a resolution confirming a grant of stock options in respect of an aggregate of 9,750,000 common shares to six directors and officers of LGC pursuant to the 2016 Stock Option Plan. At the annual meeting, shareholders also adopted a resolution, as required by the TSX Venture Exchange, ratifying and confirming amendments to LGC's 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder.

On April 16, 2018 the Company granted an aggregate of 18,550,000 stock options to LGC's six directors and officers under LGC's 2016 Stock Option Plan. The stock options have an exercise price of $0.16 and a term of five years.

Amendments to existing stock option grants

On November 15, 2017, the Company agreed to amend stock options with a consultant previously granted to purchase up to 20,000,000 common shares of the Company in five tranches at varying exercise prices so that two tranches are exercisable in respect of an aggregate of 8,000,000 common shares of the Company on or before May 31, 2018 and three tranches in respect of an aggregate of 12,000,000 common shares of the Company were cancelled.

Exercise of stock options

During the three months ended December 31, 2017, the Company issued a total of 100,000 common shares upon the exercise of stock options at an exercise price of $0.15 per share raising total proceeds of $15,000.

During the three months ended March3 1, 2018, the Company issued a total of 12,768,779 common shares upon the exercise of stock options at an average exercise price of $0.07 per share raising total proceeds of $945,983.46.

Exercise of warrants

During the three months ended December 31, 2017, the Company issued a total of 2,700,000 common shares upon the exercise of warrants at an exercise price of $0.15 per share raising total proceeds of $405,000.

During the three months ended March 31, 2018, the Company issued a total of 21,961,215 common shares upon the exercise of warrants at an average exercise price of $0.15 per share raising total proceeds of $3,282,782.

Repayment of loan payable

In October 2017, the Company repaid in full the balance of the short-term unsecured loan of A$330,027 ($325,035) from Calima Energy Ltd (formerly Azonto Petroleum Limited) as at September 30, 2017.

Agreement with OCI Inc. for strategic advice

On January 26, 2018, the Company announced confirmation that it entered into an agreement with OCI Inc. of Toronto, Ontario in June 2017 whereby OCI provides advice to the Company on strategic alternatives and assists the Company in the execution of its strategic plan for certain international markets.

The agreement provides for partial payment by the Company of OCI's monthly advisory fee in shares. In that regard, for the five months from July to November 2017, inclusively, the Company will pay an aggregate amount of $40,000 to OCI through an issuance of 94,339 shares at a deemed issue price of $0.424 per share, representing the closing price of the Company's shares on the TSX Venture Exchange on January 26, 2018 ($0.53), less a 20% discount permitted by the TSX Venture Exchange. For December 2017, the Company will issue 21,333 shares in payment of $8,000 of OCI's monthly fee at a deemed price of $0.375 per share, representing the closing price of the Company's shares on the last trading day of December ($0.50) less a 25% discount. For January 2018 and future months, the Company will issue shares in payment of $8,000 of OCI's monthly fee at a deemed price equal to the last closing price of the Company's shares for the month on the TSX Venture Exchange, less the applicable maximum discount permitted by the TSX Venture Exchange. In compliance with the policies of the TSX Venture Exchange, the Company will issue a press release announcing each share issuance to OCI.

Issuance of shares for debt

At the annual meeting on April 9, 2018, shareholders adopted a resolution approving the issuance of 1,230,468 shares by LGC Capital to former insiders in settlement of debts.

Melbana Energy Limited divestment

During the reporting period and subsequent, the Company has taken the opportunity to lock in gains on its non-core investment in Australian-listed oil and gas explorer Melbana Energy Limited ("Melbana") through on-market sales.

From an initial holding of 140,716,573, the Company has divested to date a total of 133,787,355 shares at an average of AUD$0.014 per share, which represents a positive return on its entrance price of AUD$0.01 per share.

During the three and six-month periods ended March 31, 2018, the Company divested 7,000,000 and 51,440,121 [March 31, 2017 – 9,150,000 and 18,196,943] shares in Melbana respectively, at average prices of A$0.01 and A$0.01 respectively [March 31, 2017 – A$0.02 and A$0.02], for total proceeds of A$100,784 ($99,631) and A$656,858 ($636,584) [March 31, 2017 – A$199,289 (C$200,415) and A$430.189 ($431,734) respectively], which resulted in a reduction of the Company's interest in Melbana from 4.81% as at September 30, 2017 to 1.25% as at March 31, 2018. During the three and six-month periods ended March 31, 2018, the Company recognized a gain on disposal of shares of Melbana of A$30,784 ($36,380) and A$145,457 ($191,143) [March 31, 2017 – A$107,789 ($123,406) and A$248,220 ($277,788) respectively], recorded in other comprehensive (loss) income which was subsequently reclassified to net loss.

The closing share price of Melbana as at March 31, 2018 was A$0.012 and during the three and six-month periods then ended the movement in fair value of the Company's investment amounted to a loss of A$97,287 ($117,157) and a gain of A$113,427 ($33,308) respectively [March 31, 2017 – gain of A$652,768 ($757,384) and a loss of A$1,257,970 ($1,138,122) respectively].

During the period April 1, 2018 to May 30, 2018, the Company divested of 15,833,000 shares in Melbana at an average price of A$0.01 for total proceeds of A$168,010 ($163,296) which resulted in a reduction of the Company's interest in Melbana from 1.25% on March 31, 2018 to 0.30% as at May 30, 2018.

Exit from Cuba investments

On September 26, 2017, the Company announced that its Board of Directors had resolved unanimously to immediately exit all current investments, partnerships and joint venture arrangements with companies or entities that have any business activities relating to Cuba.

Petro Australis: Prior to September 30, 2017, the Company had sought interest for the sale of its 12.1% interest in Petro Australis Limited, and as at year end, had received a non-binding offer of AUD$50,000, which was subsequently accepted and completed in December 2017. As at September 30, 2017, the Company had impaired the fair value of its investment in Petro Australis to AUD$50,000. Accordingly, in the three months ended December 31, 2017, there was no earnings impact on the divestment of the Company's interest in Petro Australis.

InCloud9 Group: In the year ended September 30, 2017, the Company impaired in full its 40% interest in the InCloud9 Group, the bespoke Cuban centric travel business, and wrote off all loans provided by the Company to the InCloud9 Group. On November 28, 2017, the Company finalized an agreement with the founder of the InCloud9 Group to assign the Company's 40% interest for no consideration and to write-off in full the working capital loans.

Rushmans Joint Venture: On September 26, 2017, the Company terminated the 50:50 Joint Venture with Rushmans for Cuban Sport. For the year ended September 30, 2017, the Company impaired in full its investment and loans to the Rushmans Joint Venture. On November 14, 2017, the Company executed an agreement with Rushmans confirming the termination of the Rushmans JV and the write-off of the working capital loan provided by the Company to the Rushmans JV.

Cuba Mountain Coffee: In the year ended September 30, 2017, the Company impaired in full its 10.14% interest in The Cuba Mountain Coffee Company Limited ("Cuba Mountain"). On October 2, 2017 the Company was advised that Cuba Mountain was insolvent and that the directors of Cuba Mountain had resolved to appoint a liquidator.

Cuba Professionals Inc.: In March 2016, the Company acquired a 49% interest in Cuba Professionals Inc. (“CP”), a private company incorporated in Panama. CP provided human resources and consulting services in Cuba. On December 17, 2016, Leni Gas Cuba terminated its agreement with CP. Further, on January 21, 2018, the Company executed a settlement agreement with CP pursuant to which the Company transferred its shares in CP for nil consideration.

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 southern Africa.

The Company looks forward to updating shareholders on its significant investment in partnership with Tricho-Med to build one of the largest legal cannabis operations in Quebec; its significant and growing investment in Australian medical cannabis company Little Green Pharma; completion of its investment in Global Canna Labs in Jamaica; its exciting one-third interest CLV in joint venture with Cresco Pharma and Baltic Beer; and to closing a substantial cannabis deal in southern Africa with AfriAg, its 50/50 partner for that region.

Financial Information

Selected Financial Information

The following table summarizes selected financial information of LGC Capital for the three and six months ended March 31, 2018 and 2017.

	3 month periods ended March 31		6 month periods ended March 31	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Revenue	263,567	-	263,567	-
Net loss	(774,948)	(607,134)	(5,247,483)	(1,122,749)
Other comprehensive profit (loss)	(51,121)	797,216	121,153	(1,331,228)
Net profit (loss) and comprehensive profit (loss)	(826,069)	190,082	(5,126,330)	(2,453,977)
Basic and diluted loss per share	(0.00)	(0.00)	(0.02)	(0.00)

Three and six months ended March 31, 2018 compared with the three and six months ended March 31, 2017

The Company reported a net loss for the three and six months ended March 31, 2018 of $774,948 and $5,247,483 respectively. This compares to the net loss for the three and six months ended March 31, 2017 of $607,134 and $1,122,749 respectively. The significant increase in the net loss for the six months to March 31, 2018 compared to 2017, is primarily driven by a stock-based compensation charge of $3,900,121 in the current period, as well as the accounting for the convertible debenture payable, including finance expense of $269,824 and change in fair value of embedded derivative of 634,494.

Revenues

The Company reported revenues for the three months ended March 31, 2018 of $263,567 in respect of its fees for provision of the Etea Guarantee.

Administrative expenses

Administration expenses for the three and six months ended March 31, 2018 amounted to $1,393,615 and $1,348,884 respectively. This was a significant increase compared to the three and six months ended March 31, 2017 of $693,040 and $1,348,884 respectively.

	3 month periods ended 31 March		6 month periods ended 31 March	
	2018 $	2017 $	2018 $	2017 $
Administration expenses:				
Salaries and other employee benefits	109,652	26,820	146,474	45,899
Directors' fees and consultancy	506,921	179,795	649,829	326,162
Legal fees	151,018	38,727	309,192	76,865
Regulatory expenses	209,539	38,658	346,454	68,444
Consultancy fees	60,324	84,147	78,324	308,411
Travel and business development	76,419	2,187	132,867	31,050
Investor / public relations	54,346	20,295	92,796	62,704
Office expenses	26,779	23,257	35,590	75,717
Professional fees	53,068	15,270	57,244	31,221
Stock-based compensation	28,786	260,494	3,900,121	305,828
House of Hemp option expense	91,660	—	162,367	—
Tricho-Med option expense	—	—	50,000	—
Other administration	25,103	3,390	32,250	16,583
Total	1,393,615	693,040	5,993,508	1,348,884

The significant increase in administration costs for the three and six months to March 31, 2018 compared to 2017, is primarily driven by a stock-based compensation charge of $3,900,121 in the current period, as well as increased legal fees, regulatory expenses and director' fees, reflecting the significant fund raisings and investment activities during the reporting period.

During the six months ended March 31, 2018, the Company made a charge of $162,367 in respect of Company's exclusive option to acquire, along with its joint venture partner, a 60% interest in South Africa's House of Hemp, and a charge of $50,000 in respect of the AAA Trichomes option.

Realized gain on available for sale investments

As a result of the divestment of shares in Melbana discussed above, during the three and six months ended March 31, 2018, the Company recognized a gain on disposal of shares of Melbana of A$30,784 ($36,380) and A$145,457 ($191,143) [March 31, 2017 – A$107,789 ($123,406) and A$248,220 ($277,788) respectively], recorded in other comprehensive income (loss) which was subsequently reclassified to net loss.

Share of losses in associates and joint ventures

On September 22, 2017, the Board of Directors decided to exit all of the Company's investments with interests in Cuba. As at September 30, 2017, the Company has written down to zero its exposure to all of its investments in associates and joint ventures, with activities related to Cuba. For the three and six months ended March 31, 2018, the Company had no contribution from associates and no contribution from joint ventures. For the three and six months ended March 31, 2017, the share of profits from associates was $4,995 and $5,275 respectively. For the three and six months ended March 31, 2017, the share of losses from joint ventures was $26,093 and $42,540 respectively.

Other comprehensive (loss) income

During the three months ended March 31, 2018, the Company incurred other comprehensive loss totalling $51,121 (2017 – gain of $797,216) comprising a decrease in the value of available for sale investments of $83,980 (2017 – gain of $897,660), the reclassification to net loss of the realized gain on available for sale investments of $36,380 (2017 – 140,277), and a foreign exchange gain on translation of foreign subsidiaries of $69,239 (2017 – gain of $39,833).

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 and diluted loss per share $	Total assets $
March 31, 2018	263,567	(774,948)	(0.00)	22,985,234
December 31, 2017	-	(4,472,535)	(0.02)	6,409,165
September 30, 2017	-	(3,480,441)	(0.01)	2,747,280
June 30, 2017	-	(444,365)	(0.00)	5,422,433
March 31, 2017	-	(607,134)	(0.00)	6,462,141
December 31, 2016	-	(515,615)	(0.00)	5,688,259
September 30, 2016	-	(3,405,895)	(0.01)	8,054,540
June 30, 2016	-	(1,164,669)	(0.01)	5,744,588

The Company did not pay any dividends during the three months ended March 31, 2018. 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 six months ended March 31, 2018 compared with the three and six months ended March 31, 2017

	3 month periods ended March 31		6 month periods ended March 31	
	2018 $	2017 $	2018 $	2017 $
Cash flows from operating activities	(967,983)	(546,171)	(1,918,634)	(1,028,784)
Cash flows from investing activities	(628,393)	199,970	(1,521,565)	413,182
Cash flows from financing activities	14,286,442	330,460	17,577,076	330,460
(Decrease)/Increase in cash	12,690,066	(15,741)	14,136,877	(285,142)
Net foreign exchange differences	42,325	2,146	49,767	(7,941)
Cash, beginning of period	3,472,823	206,649	2,018,570	486,137
Cash, end of period	16,205,214	193,054	16,205,214	193,054

Cash at the beginning of the three months ended March 31, 2018 was $3,472,823 and the Company had a cash position of $16,205,214 at the end of the quarter. This increase is due primarily to the Company raising $8,054,025 before expenses through a share placement in February 2018 and the completion of a convertible loan of US$2,340,000 (approximately $2,940,000) to the Company.

There has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2018.

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. 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 March 31, 2018, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the three and six months ended March 31, 2018 and 2017, the Company recorded the following compensation for key management personnel and the Board of Directors:

	3 month periods ended March 31		6 month periods ended March 31	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Directors' fees	**375,257**	55,241	**425,157**	115,004
Management fees	**28,500**	8,000	**52,500**	8,000
Stock-based compensation	**28,786**	184,253	**2,381,745**	184,253
Total	**432,544**	**247,493**	**2,859,402**	**307,256**

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] On November 28, 2017, the Company finalized an agreement with the founder of the InCloud9 Group to assign the Company's 40% interest for no consideration and to write-off in full the working capital loans provided by the Company to InCloud9 Group. During the three and six-month periods ended March 31, 2018, the Company did not purchase any travel services from its former associate InCloud9 Group [March 31, 2017 – $2,270 and $12,719]. During the three and six-month periods ended March 31, 2018, the Company made no working capital loans to its former associate InCloud9 Group [March 31, 2017 - $35,690 and $95,622].

[b] On September 29, 2017, the Company executed an agreement with Groombridge Trading Corporation ("GTC") confirming the termination of the 50:50 unincorporated joint venture with GTC ("the GTC JV") and the write-off of the working capital loan provided by the Company to the GTC JV. During the three and six-month periods ended March 31, 2018, the Company made no working capital loans to the former GTC JV [March 31, 2017 - $8,325 and $20,748 respectively].

[c] On On November 14, 2017, the Company executed an agreement with Rushmans Ltd confirming the termination of the 50:50 unincorporated joint venture with Rushmans ("Rushmans JV") and the write-off of the working capital loan provided by the Company to the Rushmans JV. During the three and six-month periods ended March 31, 2018, the Company made no working capital loans to the former Rushmans JV [March 31, 2017 – $51,576 and $80,587].

[d] During the three and six-month periods ended March 31, 2018, 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-month period ended March 31, 2018, the total amount for such services was $131,663, which was recorded in directors fees [2017 – $124,555]. For the six-month period ended March 31, 2018, the total amount for such services was $224,671, which was recorded in directors fees [2017 – $211,159]. As at March 31, 2018, an amount of $Nil [September 30, 2017 – $34,010] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees..

Capitalization

As at March 31, 2018, there were 356,609,266 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 33,619,400 common shares issued and outstanding, of which 31,119,400 were exercisable as at March 31, 2018. There were also warrants in respect of 55,235,099 common shares issued and outstanding as at March 31, 2018.

As at May 30, 2018, there were 357,839,734 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 66,694,400 common shares issued and outstanding, of which 62,894,400 were exercisable as at May 30, 2018. There were also warrants in respect of 55,235,099 common shares issued and outstanding as at May 30, 2018.

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 to the consolidated financial statements for the year ended September 30, 2017.

The pronouncements issued but not yet effective for the year ended September 30, 2017 are disclosed under note 4 to the consolidated financial statements for the year ended September 30, 2017.

Risk Factors and Risk Management

Reference is made to the section entitled "Risk Factors and Risk Management" of LGC Capital's Management's Discussion and Analysis for the fiscal year ended September 30, 2017 for a discussion of the risk factors applicable to the Company and its business. The Management's Discussion and Analysis of LGC Capital for the fiscal year ended September 30, 2017 is available under LGC Capital'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 on SEDAR at www.sedar.com.