Condensed Interim Consolidated Financial Statements

LGC Capital Ltd.

For the three and six-month periods ended March 31, 2018 and 2017

(Unaudited)

INDEX

NOTICE TO READER

Management has compiled the unaudited condensed interim consolidated financial statements of LGC Capital Ltd. as at March 31, 2018 and for the three and six-month periods ended March 31, 2018 and 2017. These condensed interim consolidated financial statements have not been audited or reviewed by the Company's independent auditors.

LGC Capital Ltd.

Condensed interim consolidated statements of financial position (Unaudited)

As at,

	March 31, 2018	September 30, 2017
	$	$
Assets		
Current assets		
Cash and cash equivalents *[note 16]*	**16,205,214**	2,018,570
Available for sale investments *[notes 6 and 16]*	**247,053**	677,241
Other loans receivable *[notes 7 and 16]*	**100,000**	—
Other receivables	**450,617**	51,469
Total current assets	**17,002,884**	2,747,280
Non-current assets		
Available for sale investments *[notes 6 and 16]*	**4,751,299**	—
Convertible debentures receivable *[notes 8 and 16]*	**621,640**	—
Loans to directors and officers *[notes 9 and 16]*	**609,411**	—
Total non-current assets	**5,982,350**	**—**
	22,985,234	2,747,280
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities *[notes 14 and 16]*	**1,192,289**	845,902
Convertible debentures payable *[notes 11 and 16]*	**2,118,799**	—
Loan payable *[note 12]*	**—**	325,035
Total current liabilities	**3,311,088**	1,170,937
Equity		
Share capital *[notes 2 and 13]*	**46,594,135**	13,108,479
Warrants *[notes 2, 11 and 13]*	**4,940,418**	1,008,365
Contributed surplus *[note 13]*	**(12,624,949)**	1,568,627
Accumulated other comprehensive loss	**(981,212)**	(1,102,365)
Deficit	**(18,254,246)**	(13,006,763)
Total equity	**19,674,146**	1,576,343
	22,985,234	2,747,280

Guarantees *[note 15]*
Contingent liabilities *[note 17]*
Subsequent events *[note 18]*

See accompanying notes

LGC Capital Ltd.

Condensed interim consolidated statements of loss and comprehensive loss
(Unaudited)

Three and six-month periods ended March 31,

	Three-month periods ended March 31,		Six-month periods ended March 31,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Revenues	**263,567**	—	**263,567**	—
Expenses				
Adminstrative expenses *[note 4]*	**1,393,615**	693,040	**5,993,508**	1,348,884
Realized gain on available for sale investments *[note 6]*	**(36,380)**	(123,406)	**(191,143)**	(277,788)
	1,357,235	**569,634**	**5,802,365**	**1,071,097**
Operating loss	**(1,093,668)**	**(569,634)**	**(5,538,798)**	**(1,071,097)**
Finance income *[notes 4 and 8]*	**(22,549)**	—	**(22,894)**	(64)
Finance expense *[notes 4 and 11]*	**269,824**	—	**269,824**	—
Changes in fair value of embedded derivatives *[notes 8 and 11]*	**(614,843)**	—	**(614,843)**	—
Share of profits of associates	**—**	(4,995)	**—**	(5,275)
Share of losses of joint ventures	**—**	26,093	**—**	42,540
Foreign exchange loss	**48,848**	16,401	**76,598**	14,452
	(318,720)	37,500	**(291,315)**	51,652
Net loss for the period	**(774,948)**	(607,134)	**(5,247,483)**	(1,122,749)
Other comprehensive income (loss)				
Other comprehensive income (loss) items that may subsequently be reclassified to profit or loss				
Increase (decrease) in value of available for sale investments, net of taxes *[note 6]*	**(83,980)**	897,660	**221,228**	(843,463)
Realized (gain) on available for sale investments reclassified to profit or loss *[note 6]*	**(36,380)**	(140,277)	**(191,143)**	(294,659)
Foreign exchange gain (loss) on translation of foreign subsidiaries, net of taxes	**69,239**	39,833	**91,068**	(193,106)
Other comprehensive income (loss)	**(51,121)**	797,216	**121,153**	(1,331,228)
Comprehensive income (loss)	**(826,069)**	190,082	**(5,126,330)**	(2,453,977)
Net loss per share				
Basic and fully diluted	**(0.00)**	(0.00)	**(0.02)**	(0.00)
Weighted average number of outstanding shares				
Basic and fully diluted	**335,775,383**	234,045,310	**306,271,570**	234,045,310

See accompanying notes

LGC Capital Ltd.

Condensed interim consolidated statements of changes in equity
(Unaudited)

Six-month periods ended March 31,

	Share capital		Warrants		Contributed surplus	Available-for-sale reserve	Foreign currency tralsation reserve	Deficit	Total
	#	$	#	$	$	$	$	$	$
Balance – October 1, 2016	234,045,310	11,213,399	1,976,000	91,579	1,049,052	4,586,365	(1,430,120)	(7,959,208)	7,551,067
Stock-based compensation *[notes 4 and 13]*	—	—	—	—	305,828	—	—	—	305,828
Decrease in value of available for sale investments, net of taxes *[note 6]*	—	—	—	—	—	(843,463)	—	—	(843,463)
Realized loss on available for sale investments reclassified to profit or loss *[note 6]*	—	—	—	—	—	(294,659)	—	—	(294,659)
Foreign exchange loss on translation of foreign subsidiaries, net of taxes	—	—	—	—	—	—	(193,106)	—	(193,106)
Net loss for the period	—	—	—	—	—	—	—	(1,122,749)	(1,122,749)
Balance – March 31, 2017	234,045,310	11,213,399	1,976,000	91,579	1,354,880	3,448,244	(1,623,226)	(9,081,957)	5,402,918
Balance – October 1, 2017	**264,201,810**	**13,108,479**	**32,968,000**	**1,008,365**	**1,568,627**	**545,455**	**(1,647,820)**	**(13,006,763)**	**1,576,343**
Issuance of LGC Capital shares and warrants *[notes 2 and 13]*	**43,386,822**	**7,464,316**	**43,386,822**	**4,320,482**	**—**	**—**	**—**	**—**	**11,784,798**
Issuance of convertible debentures *[notes 11 and 13]*	**—**	**—**	**1,643,764**	**166,303**	**—**	**—**	**—**	**—**	**166,303**
Issuance of LGC Capital shares to settle convertible debenture issue costs *[note 11]*	**376,162**	**253,909**	**—**	**—**	**—**	**—**	**—**	**—**	**253,909**
Issuance of LGC Capital shares to settle accounts payable and accrued liabilities *[note 13]*	**140,478**	**56,000**	**—**	**—**	**—**	**—**	**—**	**—**	**56,000**
Issue costs - shares and warrants *[notes 2 and 13]*	**—**	**(529,769)**	**—**	**(321,397)**	**—**	**—**	**—**	**—**	**(851,166)**
Issue costs - warrants issued to brokers *[notes 2 and 13]*	**—**	**(405,493)**	**2,211,728**	**(215,237)**	**620,730**	**—**	**—**	**—**	**—**
Issue costs - convertible debentures *[note 11]*	**—**	**—**	**—**	**(18,098)**	**—**	**—**	**—**	**—**	**(18,098)**
Stock-based compensation *[notes 4 and 13]*	**—**	**—**	**—**	**—**	**3,900,121**	**—**	**—**	**—**	**3,900,121**
Exercise of stock options *[note 13]*	**12,868,779**	**6,079,134**	**—**	**—**	**(5,118,150)**	**—**	**—**	**—**	**960,984**
Exercise of warrants *[note 13]*	**24,023,215**	**16,624,219**	**(24,023,215)**	**—**	**(13,020,737)**	**—**	**—**	**—**	**3,603,482**
Exercise of broker compensation warrants *[note 13]*	**952,000**	**670,740**	**(952,000)**	**—**	**(575,540)**	**—**	**—**	**—**	**95,200**
Inccrease in value of available for sale investments, net of taxes *[note 6]*	**—**	**—**	**—**	**—**	**—**	**221,228**	**—**	**—**	**221,228**
Realized gain on available for sale investments reclassified to profit or loss [note 6]	**—**	**—**	**—**	**—**	**—**	**(191,143)**	**—**	**—**	**(191,143)**
Issuance of LGC Capital shares to acquire available for sale investments *[notes 6 and 13]*	**10,660,000**	**3,272,600**	**—**	**—**	**—**	**—**	**—**	**—**	**3,272,600**
Foreign exchange gain on translation of foreign subsidiaries, net of taxes	**—**	**—**	**—**	**—**	**—**	**—**	**91,068**	**—**	**91,068**
Net loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,247,483)**	**(5,247,483)**
Balance – March 31, 2017	**356,609,266**	**46,594,135**	**55,235,099**	**4,940,418**	**(12,624,949)**	**575,540**	**(1,556,752)**	**(18,254,246)**	**19,674,146**

Guarantees *[note 15]*
Contingent liabilities *[note 17]*
Subsequent events *[note 18]*

See accompanying notes

LGC Capital Ltd.

Condensed interim consolidated statements of cash flows (Unaudited)

Three and six-month periods ended March 31,

	Three-month periods ended March 31,		Six-month periods ended March 31,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Operating activities				
Net loss for the period	**(774,948)**	(607,134)	**(5,247,483)**	(1,122,749)
Items not impacting cash:				
Realised gain on sale of available for sale investments *[note 6]*	**(36,380)**	(123,406)	**(191,143)**	(277,788)
Share of profit of associates	**—**	(4,995)	**—**	(5,275)
Share of losses of joint ventures	**—**	26,093	**—**	42,540
Finance income *[notes 4 and 8]*	**(13,267)**	—	**(13,267)**	—
Finance expense *[notes 4 and 11]*	**269,824**	—	**269,824**	—
Changes in fair value of embedded derivatives *[note 11]*	**(614,843)**	—	**(614,843)**	—
Unrealized foreign exchange gains *[note 16]*	**(24,107)**	—	**(23,702)**	—
Stock-based compensation *[notes 4 and 13(d)]*	**28,785**	260,494	**3,900,121**	305,828
	(1,164,936)	(448,948)	**(1,920,493)**	(1,057,444)
Change in non-cash working capital items	**196,953**	(97,223)	**1,859**	28,660
Net cash flows from operating activities	**(967,983)**	(546,171)	**(1,918,634)**	(1,028,784)
Investing activities				
Acquisition of available for sale investments *[note 6]*	**—**	—	**(1,478,699)**	(18,552)
Disposal of available for sale investments *[note 6]*	**99,631**	199,970	**685,158**	431,734
Issuance of other loans receivable *[note 7]*	**(628,024)**	—	**(628,024)**	—
Purchase of convertible debentures receivable *[note 8]*	**(100,000)**	—	**(100,000)**	—
Cash flows from investing activities	**(628,393)**	**199,970**	**(1,521,565)**	**413,182**
Financing activities				
Proceeds from convertible debentures *[note 11]*	**2,947,401**	—	**2,947,401**	—
Convertible debenture issue costs *[note 11]*	**(52,169)**	—	**(52,169)**	—
Repayment of loans *[note 12]*	**—**	330,460	**(325,440)**	330,460
Proceeds from issuance of shares and warrants *[note 13]*	**8,458,097**	—	**11,815,708**	—
Share and warrant issue costs *[note 13]*	**(689,629)**	—	**(851,166)**	—
Proceeds from the exercise of share options *[note 13]*	**543,860**	—	**558,860**	—
Proceeds from the exercise of warrants *[note 13]*	**3,078,882**	—	**3,483,882**	—
Cash flows from financing activities	**14,286,442**	**330,460**	**17,577,076**	**330,460**
Increase (decrease) 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 and cash equivalents, beginning of period	**3,472,823**	206,649	**2,018,570**	486,137
Cash and cash equivalents, end of period	**16,205,214**	193,054	**16,205,214**	193,054

See accompanying notes

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and six-month periods ended March 31, 2018 and 2017

1. Nature of operations and comparative information

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 ("TSX-V") under the symbol "LG" ("QBA" prior to September 18, 2017 and "KWC.H" prior to July 12, 2016). The registered office of LGC Capital Ltd. is located at 800 Place Victoria, Suite 3700, Montréal, Québec, Canada.

LGC Capital, and its wholly-owned subsidiaries, Leni Gas Cuba Limited and LGC Capital EU OU ("LGC Estonia"), are collectively referred to as "LGC Capital" or the "Company" in these condensed interim consolidated financial statements.

The Company's objective is 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.

On September 22, 2017, the Board of Directors resolved to exit all investments in companies or entities that have any business activities relating to Cuba.

2. Basis of preparation

Statement of compliance

The condensed interim consolidated financial statements of the Company for the three and six-month periods ended March 31, 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the financial statements for the year ended September 30, 2017 except for the new standards and interpretations effective October 1, 2017. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended September 30, 2017 which have been prepared in accordance with IFRS.

The Board of Directors approved these condensed interim consolidated financial statements, effective May 29, 2018.

Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of LGC Capital and its subsidiaries. All intra-group balances, income and expenses and unrealized gains and losses, resulting from intra-group transactions are eliminated in full on consolidation.

The condensed interim consolidated financial statements of the subsidiaries are prepared using the same reporting period and same accounting policies as LGC Capital.

Reclassification of fair value of warrants

On September 12, 2017, the Company completed a private placement by issuing 30,000,000 units at a price of $0.10 per unit, for gross proceeds of $3,000,000. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.15 for a period of one year 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 is at least $0.20, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants (the "Notice"). Initially, in the Company's consolidated financial statements for the year ended September 30, 2017, the Company allocated no value to the warrants based on the initial valuation model based on stochastic simulations. However, during the three-month period ended December 31, 2017, the Company updated its valuation model to properly reflect the fact that upon the receipt of the Notice, the holders of the warrants still had 30 days to exercise their warrants, and reclassified $983,325 from share capital to warrants as at September 30, 2017 and $66,539 from issue costs in share capital to warrants based on the relative fair value of the share capital and warrants.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of LGC Capital. The functional currencies of Leni Gas Cuba and LGC Estonia are GBP and Euro respectively.

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the date of the condensed interim consolidated financial statements.

The Company has identified the following 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.

[a] Share-based payments and warrants – Estimate

Where share-based payments are made to employees, the estimation of share-based payments at fair value at the date of grant requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The fair value of each option or warrant is evaluated using the Black-Scholes pricing model or a valuation model based on stochastic simulations at the date of grant. The Company has made estimates as to the volatility, the expected life of options or warrants, and where applicable, expected forfeiture rates. The expected life of the option or warrant is based on historical data. The expected volatility is based on the historical volatility of the Company or comparable companies, as applicable, over the period of the expected life of the stock option or warrant. These estimates may not necessarily be indicative of future actual patterns.

Where share-based payments are made to non-employees, management estimates the fair value of the services rendered at the date on which the services are provided, based on present value techniques. If the Company cannot estimate reliably the fair value of the goods or services received, management measures their value by reference to the fair value of the equity instruments granted using the Black-Scholes pricing model or a valuation model based on stochastic simulations.

[b] Income taxes and valuation allowance – Estimate

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management’s assessment regarding the Company’s ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

[c] Functional currency – Judgment

The functional currency of LGC Capital is the Canadian dollar, the functional currency of Leni Gas Cuba is GBP and of LGC Estonia is the Euro. Management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to the primary indicators before considering the other indicators, which are designed to provide additional supporting evidence to determine the entity’s functional currency. Since the Company doesn’t generate revenues, the currency in which the investments, loans, expenditures and financing are made is considered by management in determining the functional currency.

[d] Fair value and impairment of investments – Estimate

Fair value for available-for-sale financial assets ["AFS"] are based on quoted [unadjusted] market prices in active markets for listed entities at year-end, or the most recent arm's length equity financing entered into or the sale proceeds of the investment by the Company for unlisted entities.

For AFS assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Objective evidence of impairment exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization. Any changes in estimates may have a significant impact on the Company's results.

[e] Fair value measurement of financial instruments - Judgment

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. Recent accounting pronouncements

[a] IAS 7 – Statement of Cash Flows

In January 2016, the IASB amended IAS 7, Statement of Cash Flows, to require enhanced disclosure about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value. The amendments to IAS 7 were effective for annual periods beginning on or after October 1, 2017. The adoption of this amendment did not have an impact on the Company's interim condensed consolidated financial statements.

4. Expenses by nature

The following is a breakdown of the nature of expenses included in administration expenses, finance income and finance expense for the three and six-month periods ended March 31:

	Three-month periods ended March 31		Six-month periods ended March 31	
	2018	**2017**	**2018**	**2017**
Administration expenses:				
Salaries and other employee benefits	**109,652**	26,820	**146,474**	45,899
Directors' fees and consultancy *[note 14]*	**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 [note 13(d)]	**28,786**	260,494	**3,900,121**	305,828
House of Hemp [i]	**91,660**	—	**162,367**	—
Tricho-Med option expense [ii]	**—**	—	**50,000**	—
Other administration	**25,103**	3,390	**32,250**	16,583
Total	**1,393,615**	693,040	**5,993,508**	1,348,884

	Three-month periods ended March 31		Six-month periods ended March 31	
	2018	**2017**	**2018**	**2017**
Finance income:				
Interest on convertible debentures *[note 8]*	**6,225**	—	**6,225**	—
Accretion of convertible debentures *[note 8]*	**13,267**	—	**13,267**	—
Other interest	**3,402**	—	**3,402**	—
Total	**22,894**	—	**22,894**	—

	Three-month periods ended March 31		Six-month periods ended March 31	
	2018	**2017**	**2018**	**2017**
Finance expense:				
Interest on convertible debentures *[note 11]*	**39,730**	—	**39,730**	—
Accretion of convertible debentures *[note 11]*	**230,094**	—	**230,094**	—
Total	**269,824**	—	**269,824**	—

[i] House of Hemp expense

In June 2017, the Company entered into a strategic alliance with AfriAg (Pty) Ltd., 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.

In July 2017, LGC Capital and AfriAg (Pty) Ltd. entered into a binding memorandum of agreement to acquire a 60% interest in South Africa's House of Hemp (Pty) Ltd.'s hemp and cannabis related businesses, subject to an exclusive option for the period ended January 28, 2018.

On March 23, 2018, the Company's Directors decided to terminate its option to acquire, through its 50/50 joint venture with AfriAg (Pty) Ltd, a 30% interest in House of Hemp in view of legislative delays in South Africa adversely impacting the timeline for House of Hemp to obtain the necessary commercial licenses.

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 this transaction.

[ii] Tricho-Med option expense

On October 31, 2017, the Company signed a term sheet with Quebec based Tricho-Med Corporation ("Tricho-Med"), giving the Company an option to acquire a 49% interest in Tricho-Med plus a 5% royalty on its net sales. The cost of this option of $50,000 was expensed during the six-month period ended March 31, 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and six-month periods ended March 31, 2018 and 2017

5. Income taxes

A reconciliation of income tax charge applicable to accounting loss before income tax at the weighted average statutory income tax rate to income tax charge at the Company's effective income tax rate for the three and six--month periods ended March 31 is as follows:

	Three-month periods ended March 31		**Six-month periods ended March 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Loss before income tax	**(774,948)**	(607,134)	**(5,247,483)**	(1,122,749)
Income tax recovery at the combined Federal and Provincial tax rate 26.82% [2017 – 26.90%]	**(207,841)**	(163,242)	**(1,407,375)**	(302,019)
Non-deductible expenses and non-taxable revenues	**(124,201)**	—	**870,366**	—
Effect of changes in tax rates on temporary items	—	2,238	—	3,446
Effect of foreign tax rate differences	**14,034**	12,778	**(8,403)**	70,329
Changes in valuation allowance	**318,008**	148,226	**545,412**	228,244
Tax recovery at effective income tax rate	—	—	—	—

The deferred tax asset and liability of the Company consist of the following:

	March 31, 2018	**September 30, 2017**
	$	$
Future income tax assets		
Non-capital loss carry-forwards	**1,073,533**	632,560
Share and convertible debenture issue costs	**271,531**	1,260
Convertible debentures receivable	**1,692**	—
Other	**7,187**	7,187
	1,353,943	641,007
Furture income tax liabilities		
Convertible debentures payable	**(167,524)**	—
Net future income tax assets	**1,186,419**	641,007
Unrecognized future income tax assets	**(1,186,419)**	(641,007)
Net future income tax	—	—

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and six-month periods ended March 31, 2018 and 2017

6. Available for sale investments

A breakdown of available for sale investments as at March 31, 2018 and September 30, 2017 and the respective changes during the six-month period and the year then ended, are summarized as follows:

	Six-month period ended March 31, 2018 $	**Year ended September 30, 2017** $
Balance, beginning of period	**677,241**	6,773,904
Additions	**4,751,299**	18,552
Disposals	**(494,017)**	(582,124)
Increase (decrease) in value	**33,308**	(4,040,910)
Impairment	—	(1,311,575)
Foreign currency loss on translation	**30,521**	(180,606)
Balance, end of period	**4,998,352**	677,241

[a] Petro Australis Limited

In July / August 2015, the Company acquired a total of 10,961,667 ordinary shares at an average of A$0.15 per share in Petro Australis Limited ["Petro Australis"], an unlisted Australian public company, at a total cost of A$1,644,250 ($1,599,328). The Company's shareholding represented, on acquisition, a 15.0% interest in Petro Australis. In August 2016, Petro Australis completed an equity raising at A$0.20 per share.

As at September 30, 2017, the Company's interest in Petro Australis was 12.1% [2016 – 14.0%].

Prior to September 30, 2017, the Company had received a non-binding offer of AUD$50,000, which was accepted after year-end. As a result, as at September 30, 2017, the Company recorded a decrease of fair value of its investment in Petro Australis of A$548,083 ($820,716) in other comprehensive (loss) income and also an impairment of A$1,594,250 ($1,248,417) in other comprehensive loss which was subsequently reclassified to net loss.

On November 29, 2017, the Company completed and executed an agreement, with a third party, to sell 100% of its shareholding in Petro Australis for total consideration of A$50,000 ($48,574).

[b] Melbana Energy Limited (note 18(f))

In March 2016 the Company acquired 140,716,573 new ordinary shares at A$0.01 per share in Melbana Energy Limited ["Melbana"] [formerly MEO Australia Limited], an Australian incorporated public company listed on the Australian Stock Exchange [ticker "MAY"], for a total cash consideration of A$1,407,166 ($1,360,280). The Company's shareholding represented, on acquisition, a 15.8% interest in Melbana. As a result of share issues by Melbana in August and September 2016, the Company's interest was diluted to 14.76% as at September 30, 2016.

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 ($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 income (loss) 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].

[c] The Cuba Mountain Coffee Company Limited

In June 2016 the Company acquired a total of 273 ordinary shares at £100 per share in The Cuba Mountain Coffee Company Limited ["Cuba Mountain"] for a total cash consideration of £27,300 ($50,213). The Company's shareholding represented on acquisition a 10.14% interest in Cuba Mountain. In December 2016 the Company participated in a rights issue by Cuba Mountain and acquired a further 112 ordinary shares at £100 per share for an investment of £11,200 ($18,552).

As at September 30, 2017, the Company's interest in Cuba Mountain was 10.14% [2016 – 10.14%].

On October 2, 2017 the Company was advised that Cuba Mountain was insolvent and the directors of Cuba Mountain resolved to appoint a liquidator. Consequently, the Company terminated all agreements with Cuba Mountain and, as at September 30, 2017, recorded an impairment in other comprehensive (loss) income of £38,500 ($63,158) [2016 – $Nil], which was subsequently reclassified to net loss.

[d] Habi Pharma Pty Limited

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 A$432,218 ($422,969) 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 $1,045,569. Closing was conditional upon the Company having obtained all requisite regulatory and TSX Venture Exchange approvals.

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 A$150,587 ($149,668) so as to maintain its 4.99% shareholding.

On December 14, 2017, the Company subscribed for an additional 4,585,972 shares of Little Green Pharma for cash consideration of A$917,194 ($906,062), thereby increasing its shareholding to 11.91%.

On February 14, 2018, the Company subscribed for an additional 2,283,495 shares of Little Green Pharma in exchange for issuing 5,000,000 shares of the Company at $0.53 per share for a total consideration of $2,650,000 [note 13(a)], thereby increasing its shareholding to 14.99%. The 5,000,000 LGC Capital shares are subject to a "hold period" which expires on June 15, 2018. The subscription agreement entered into by LGC Capital and Little Green Pharma at closing contains an undertaking by LGC Capital to participate in Little Green Pharma's next capital raise, by June 30, 2018, to the extent required to maintain LGC Capital's 14.99% shareholding in Little Green Pharma.

As at March 31, 2018, the fair value of the investment in Little Green Pharma was determined to be $0.49 per share, based on recent transactions affecting the capital of the entity. As at March 31, 2018, the Company's interest in Little Green Pharma was 14.99% [September 30, 2017 – $Nil].

7. Other loans receivable (note 18(a))

On January 26, 2018, LGC Capital announced that it had signed a Letter of Intent with Global Canna Labs and one of its major shareholders, which provides that LGC Capital will subscribe for a $2,500,000 secured debenture, convertible into an initial 30% strategic interest in Global Canna Labs, and that LGC Capital will also acquire a 5% royalty on Global Canna Labs' net sales in exchange for consideration valued at $2 million, to be settled by the issue of common shares of LGC Capital. Both transactions are subject to approval from the TSX Venture Exchange ("TSXV").

The Letter of Intent provided that upon successful completion of due diligence, the parties would enter into definitive agreements. As at March 31, 2018 the contracts pursuant to this transaction had not yet been finalized.

On February 9, 2018 LGC Capital entered into an agreement with Global Canna Labs to provide it with a bridging loan ("Bridging Loan - 1") for $100,000. The Bridging Loan - 1 is repayable upon demand and pays interest at a rate of 7% per annum. The balance on

Bridging Loan - 1 will be rolled into the Global Canna Labs convertible secured debenture once agreements for this transaction are finalized.

As at March 31, 2018 amounts drawn down under the Bridging Loan - 1 amounted to $100,000 (September 30, 2017 – $Nil). During the three and six-month periods ended March 31, 2018 interest earned amounted to $978 and $978 respectively (March 31, 2017 – $Nil and $Nil).

8. Convertible debentures receivable (note 18(e))

On January 8, 2018, the Company announced that it had finalized a transaction with Quebec based Tricho-Med Corporation (”Tricho-Med”), and had entered into a four-year secured convertible loan agreement with Tricho-Med in 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 produce medical cannabis from the relevant regulatory authorities, the Tricho-Med Debenture will convert into common shares of Tricho-Med representing 49% of Tricho-Med’s then-issued and outstanding shares. The Company will also receive a 5% royalty on Tricho-Med’s net sales. The Tricho-Med Debenture bears interest at an annual rate of 10%, has a term of four years and is secured by first-ranking security on all of Tricho-Med’s assets. 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,.

The Tricho-Med Debenture was determined to be a compound financial instrument comprising a host or receivable component and an embedded derivative representing the conversion feature. The host or receivable component of the convertible debenture was recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar receivable of comparable credit status and providing substantially the same cash flows that does not have conversion option. The fair value of the embedded derivative representing the convertible feature was estimated using the residual method, comprising the difference between the principal amount and the initial carrying values of the host receivable component.

The carrying value of the host or receivable component of the debentures is accreted using the effective interest rate method over the term of the debenture, such that the carrying amount will equal the total face value of the debenture at maturity. The carrying value of the embedded derivative representing the conversion feature is carried in the balance sheet at its fair value with movements therein recognized in net loss for the period.

A breakdown of convertible debentures receivable as at March 31, 2018 is as follows:

	Host receivable component $	Embedded derivative (conversion feature) $	Total $
Balance, October 1, 2017	—	—	—
Debentures issued during the period	423,060	204,964	628,024
Accretion	13,267	—	13,267
Change in fair value of embedded derivative	—	(19,651)	(19,651)
Balance, March 31, 2018	**436,327**	**185,313**	**621,640**

During the three and six-month periods ended March 31, 2018, interest earned amounted to $6,225 and $6,225 respectively (March 31, 2017 – $Nil and $Nil).

9. Loans to directors and officers

On February 16, 2018, LGC Capital announced it had entered in loan agreements with a number of directors and officers of the Company in order to fund the exercise by them of LGC Capital stock options and also to fund the payment by them of related taxes. These loans (the "Directors Loans"), do not bear interest, must be repaid within two years and are subject to approval by the TSX Venture Exchange.

10. Other investments

[a] Etea Sicurezza Group Ltd transaction (notes 15 and 18(d))

On October 10, 2017, the Company established a merchant banking division, in order to pursue global high-yield investment opportunities. Concurrently the Company 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 (the "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.

On November 1, 2017, the Company entered into a letter of intent with Etea Sicurezza for a potential acquisition of approximately 20% of Etea Sicurezza by the Company. The letter of intent will form the basis for the negotiation of a mutually-satisfactory definitive agreement to be entered into between the Company, on the one hand, and Etea Sicurezza and its shareholders, on the other hand.

11. Convertible debentures payable

On January 31, 2018, the Company entered into an Investment Agreement (the "Agreement") with YA II PN Ltd. ("YA II"), an exempted company incorporated in the Cayman Islands, and Cuart Investments PCC Limited ("Cuart"), a company incorporated in Gibraltar.

Under the agreement, the Company agreed to issue to YA II and Cuart (collectively the "Noteholders"), 9.5% unsecured convertible debentures in a principal amount totaling US$2,340,000 (the "Debentures") and 1,643,764 common share purchase warrants ("the Debenture Warrants").

Under the agreement YA II and Cuart agreed to subscribe for 25% and 75% respectively, of each of the Debentures and the Debenture Warrants (YA II - US$585,000 principal amount ($736,850) and 410,941 common share purchase warrants and Cuart US$1,755,000 principal amount ($2,210,551) and 1,232,823 common share purchase warrants). The Debentures were drawn down on February 8, 2018 (the "Advance Date"), with the proceeds of US$2,340,000 ($2,947,401) applied to advance the Companys' core business divisions on its global platform.

The Debentures, mature in one year and bear interest at a rate of 9.5% per annum, payable quarterly and, at maturity and at the holder's exclusive option, can be converted into common shares at a price ranging between $0.50 and $0.675 per share depending on the variable weighted average price of the Companys' shares during the 5 trading days prior to the date of the conversion notice. The Company has the right to repay any of the Debentures prior to the maturity date and the Noteholders have the right of early conversion of any of the Debentures at any time after the expiry of a four month 'exclusion' period after the Advance Date.

Each of the 1,643,764 common share purchase warrants issued to the two lenders 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.

The Debentures were determined to comprise two separate financial instruments, the first being a compound financial instrument comprising an embedded derivative representing the conversion feature and a residual host debt component, and the second related to the common share purchase warrants that were issued along with the Debentures.

On initial recognition, the combined fair value of these two financial instruments was estimated as outlined below and used to prorate the principal amount of the Debentures between the warrants, the embedded derivative representing the conversion feature and the host or liability component of the convertible debenture.

The fair value of the host or liability component of the convertible debenture was calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have any associated share purchase warrants nor a conversion option. The fair values of the separate liability component representing the conversion feature of the first financial instrument and also of the warrants comprising the second financial instrument were determined based on the Black-Scholes option pricing model using the weighted average assumptions set out as follows:

Assumption	**Warrants Issued February 8, 2018**	**Embedded derivative conversion feature Issued February 8, 2018**
Risk-free interest rate	1.79%	1.79%
Expected volatility	180%	180%
Dividend yield	Nil	Nil
Expected life [in years]	1.0	1.0
Exercise price	$0.70	$0.50
Share Price	$0.29	$0.29
Fair value at grant date	$0.13	$0.15

In connection with the Agreement, the Company incurred cash settled issue costs amounting to $66,848 together with a Due Diligence Fee settled by issuing 376,162 shares of the Company at $0.675 per share totaling $253,909 for total issue costs of $320,757 which have been pro-rated between the host debt component of the convertible debentures, the liability component of the conversion feature, and the common share purchase warrants, in the amounts of $228,340, $74,319 and $18,098, respectively.

As at March 31, 2018, issue costs incurred pertaining to the Debentures, that were unpaid and included in accounts payable and accrued liabilities, amounted to $14,679 [September 30, 2017 - $Nil]. These amounts have been excluded from the statements of cash flows. In addition, other transactions related to the convertible debentures were excluded from the statement of cash flows as they did not consist of cash inflows or outflows for the Company.

The carrying value of the host or liability component of the debentures is accreted using the effective interest rate method over the term of the debenture, such that the carrying amount will equal the total face value of the debenture at maturity.

The carrying value of the separate liability component representing the conversion feature is carried in the balance sheet at its fair value with movements therein recognized in net loss for the period. The fair value of the separate liability component representing the conversion feature as at March 31, 2018 was determined based on the Black-Scholes option pricing model using the weighted average assumptions set out as follows:

Assumption	**Embedded derivative conversion feature as at March 31, 2018**
Risk-free interest rate	1.76%
Expected volatility	180%
Dividend yield	Nil
Expected life [in years]	0.86
Exercise price	$0.50
Share Price	$0.14
Fair value at grant date	$0.04

A breakdown of convertible debentures payable as at March 31, 2018 is as follows:

	Host debt component $	**Embedded derivative (conversion feature) $**	**Common share purchase warrants $**	**Total $**
Balance, October 1, 2017	**—**	**—**	**—**	**—**
Debentures issued during the period	1,894,967	886,131	166,303	2,947,401
Issue costs	(228,340)	(74,319)	(18,098)	(320,757)
Accretion	155,775	74,319	—	230,094
Change in fair value of embedded derivative	—	(634,494)	—	(634,494)
Foreign currency loss on translation	44,760	—	—	44,760
Balance, March 31, 2018	**1,867,162**	**251,637**	**148,205**	**2,267,004**

Total in non-current liabilities	2,118,799
Total equity	148,205
Balance, March 31, 2018	**2,267,004**

During both the three and six-month periods ended March 31, 2018, interest expense pursuant to Debentures amounted to $39,730 [March 31, 2017 – $Nil and $Nil respectively].

12. Loan payable

On March 20, 2017, the Company entered into an unsecured loan with Calima Energy Ltd (formerly Azonto Petroleum Limited), an unrelated entity, in the amount of A$325,000 ($330,460) for working capital purposes. On May 25, 2017 the Company obtained a further loan of A$50,000 ($49,735) bringing the total loan amount to A$375,000 ($380,245) maturing on June 23, 2017 [the "Calima Loan"]. Pursuant to the Calima Loan, financing fees in the amount of A$37,500 ($37,386) were payable, being 10% of the revised loan amount. In addition, the loan was subject to interest of 10% per annum.

During the year ended September 30, 2017, the Company repaid principal of A$100,000 ($101,505). The balance of the loan, as at September 30, 2017, of A$330,027 ($325,035) was repaid in October 2017.

13. Share capital

Authorized

Common

An unlimited number of common shares, voting, participating, without par value.

[a] Common shares

Issuances during the three and six-month periods ended March 31, 2018

[i] On October 12, 2017, as part of a subscription agreement signed with Little Green Pharma, the Company issued 5,660,000 common shares of LGC Capital at a deemed issue price of $0.11 per share representing a total consideration of $622,600 as part payment for a 4.99% initial investment in Little Green Pharma [note 6[d]].

[ii] 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. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase 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 the Company's shares on the TSX Venture Exchange for a period of ten consecutive trading days is at least $0.30, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants. As a result, using a valuation model based on stochastic simulations at the date of grant, the gross proceeds of the combined first and second closings, totaling $3,730,773, was allocated $2,583,846 to share capital and $1,146,927 to warrants based on relative fair value [note 13[c]].

Concurrently, the Company issued a total of 1,100,828 broker compensation warrants, entitling holders to purchase one common share of the Company at a price of $0.15 per share at any time for a period of 18 months from the closing date. The total fair value of broker compensation warrants was $338,892, allocated to contributed surplus with the debit allocated $234,709 to share capital and $104,183 to warrants [note 13[c]].

In connection with this private placement, in addition to the broker compensation warrants, the Company also incurred professional fees and expenses of $161,537 which have been pro-rated between share capital and warrants in the amounts of $111,877 and $49,660 respectively.

[iii] On February 8, 2018, the Company issued 376,162 common shares of LGC Capital at a deemed issue price of $0.675 per share representing a total consideration of $253,909 as payment of costs related to issuance of the Debentures [note 11].

[iv] On February 14, 2018, the Company issued 5,000,000 common shares of LGC Capital at a deemed issue price of $0.53 per share representing a total consideration of $2,650,000 as payment for an additional 3.08% investment in Little Green Pharma [note 6[d]].

[v] On February 16, 2018, the Company announced that it had raised gross proceeds of $8,054,025 at a closing of a private placement by issuing 18,515,000 units at a price of $0.435 per unit. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.49 for a period of 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 twenty consecutive trading days, commencing 4 months from the closing date, is at least $0.65, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants. As a result, using a valuation model based on stochastic simulations at the date of grant, the gross proceeds was allocated $4,880,470 to share capital and $3,173,555 to warrants based on relative fair value [note 13[c]].

Concurrently, the Company issued a total of 1,110,900 broker compensation warrants, entitling holders to purchase one common share of the Company at a price of $0.435 per share at any time for a period of 36 months from the closing date. The total fair value of broker compensation warrants was $281,838, allocated to contributed surplus with the debit allocated $170,784 to share capital and $111,054 to warrants [note 13[c]].

In connection with this private placement, in addition to the broker compensation warrants, the Company also incurred professional fees and expenses of $689,629 which have been pro-rated between share capital and warrants in the amounts of $417,892 and $271,737 respectively.

[vi] On February 20, 2018, the Company issued 140,478 common shares of LGC Capital at a deemed issue price of $0.40 per share representing a total consideration of $56,000 as settlement of certain accounts payable and accrued liabilities.

[vii] During the three and six-month periods ended March 31, 2018, the Company issued 13,018,779 and 13,118,779 common shares respectively at an average exercise prices of $0.08 and $0.08 per share for a total proceeds of $984,484 and $998,484 respectively upon the exercise of stock options, and amounts of $5,119,650 and $5,140,650 related to exercised stock options were transferred from contributed surplus to share capital *[note 13[b]]*.

[viii] During the three and six-month periods ended March 31, 2017, the Company issued 21,085,215 and 23,785,215 common shares respectively at average exercise prices of $0.15 and $0.15 per share for a total proceeds of $3,162,182 and $3,567,182 upon the exercise of share purchase warrants, and amounts of $12,219,257 and $13,002,257 respectively, related to exercised share purchase warrants were transferred from contributed surplus to share capital *[note 13[c]]*.

[ix] During the three and six-month periods ended March 31, 2017, the Company issued 940,000 and 940,000 common shares respectively at average exercise prices of $0.10 and $0.10 per share for a total cash proceeds of $94,000 and $94,000 upon the exercise of broker compensation warrants, and amounts of $571,520 and $571,520 respectively, related to exercised broker compensation warrants were transferred from contributed surplus to share capital *[note 13[c]]*.

Issuances during the three and six-month periods ended March 31, 2016

[ii] There were no issuances of common shares during the three and six-months ended March 31, 2017.

[b] Stock options *(note 18(g))*

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's issued and outstanding. The amendment to the 2016 Stock Option Plan has been approved by the TSX Venture Exchange and shareholders approved it at the Company's Annual General Meeting held on April 9, 2018.

The outstanding options as at March 31, 2018 and September 30, 2017 and the respective changes during the six-month period and the year then ended, are summarized as follows:

	Six-month period ended March 31, 2018		**Year ended September 30, 2017**	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Outstanding, beginning of period / year	**46,513,179**	**0.28**	40,982,679	0.34
Grants by LGC Capital during the period / year	**11,975,000**	**0.26**	16,000,000	(0.08)
Cancellations during the period / year	**(12,000,000)**	**(0.70)**	(10,000,000)	(0.23)
Forfeitures during the period / year	—	—	(313,000)	(0.10)
Exercised during the period / year	**(12,868,779)**	**(0.07)**	(156,500)	(0.06)
Outstanding, end of period / year	**33,619,400**	**0.20**	46,513,179	0.28

The following options are outstanding and exercisable as at March 31, 2018.

Options outstanding					
Range of exercise price $	**Number outstanding** #	**Weighted average remaining contractual life** (in years)	**Weighted average exercise price** $	**Number exercisable** #	**Weighted average exercise price** $
0.00 to 0.149	8,894,400	3.71	0.09	8,394,400	0.09
0.15 to 0.299	18,250,000	1.67	0.20	18,250,000	0.20
0.30 to 0.449	6,475,000	9.70	0.36	6,475,000	0.36
0.00 to 1.499	**33,619,400**	**3.75**	**0.20**	**33,119,400**	**0.20**

There were no stock options granted during the three-month period ended March 31, 2018. The stock options granted during the six-month period ended March 31, 2018 vested on issue [year ended September 30, 2017 – 0 to 1.5 years]. The fair value of stock options granted during the six-month period ended March 31, 2018 and the year ended September 30, 2017 were estimated at their respective grant dates using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Six-month period ended March 31, 2018	**Year ended September 30, 2017**
Risk-free interest rate	**1.66%**	**1.12%**
Expected volatility	**180%**	**180%**
Dividend yield	**Nil**	**Nil**
Expected life [in years]	**5.87**	**4.61**
Share price at grant date	**$0.30**	**$0.030**
Fair value at grant date	**$0.27**	**$0.028**

[c] Warrants

The outstanding warrants as at March 31, 2018 and September 30, 2017 and the respective changes during the six-month period and the year then ended, are summarized as follows:

	Six months ended March 31, 2018		Year ended September 30, 2017	
	Number of warrants #	Weighted average exercise price $	Number of warrants #	Weighted average exercise price $
Outstanding balance, beginning of period / year	**32,968,000**	**0.15**	1,976,000	0.23
Warrants granted during the period / year	**45,030,586**	**0.36**	30,000,000	0.15
Broker compensation warrants granted during the period / year	**2,211,728**	**0.29**	992,000	0.10
Warrants exercised in the period / year	**(24,023,215)**	**(0.15)**	—	—
Broker compensation warrants exercised in the period / year	**(952,000)**	**(0.10)**	—	—
Outstanding balance, end of period / year	**55,235,099**	**0.33**	32,968,000	0.15

As at March 31, 2018, the warrants outstanding had a weighted average life of 2.1 years and all warrants were exercisable.

The fair value of warrants granted during the six-month period ended March 31, 2018 and the year ended September 30, 2017 were estimated at their respective grant dates using a valuation model based on stochastic simulations, using the following weighted average assumptions.

	Six-months ended March 31, 2017	Year ended September 30, 2017
Risk-free interest rate	**1.68%**	**1.80%**
Expected volatility	**180%**	**180%**
Dividend yield	**Nil**	**Nil**
Contractual life [in years]	**2.1**	**1.00**
Share price at grant date	**$0.331**	**$0.137**
Fair value at grant date	**$0.298**	**$0.067**

[d] Stock-based compensation

For the three and six-month periods ended March 31, 2018, the stock-based compensation expense included in net loss, was $28,786 and $3,900,121 respectively [March 31, 2017 – $260,494 and $305,828] (note 4).

14. Related party transactions

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 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].

[e] 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 [March 31, 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 [March 31, 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.

[f] **Compensation of key management personnel and Board of Directors**

Excluding the amounts reported above, during the three and six-month periods ended March 31, 2018 and 2017, the Company recorded the following compensation for key management personnel and the Board of Directors:

	Three-month period ended March 31		**Six-month period ended March 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Directors' fees	**375,258**	55,241	**425,158**	115,004
Management fees	**28,500**	8,000	**52,500**	8,000
Stock compensation	**28,786**	184,253	**2,381,745**	184,253
Total	**432,544**	247,494	**2,859,403**	307,257

15. Guarantees

The Company entered into an agreement with a Toronto-based investment firm for the Etea Guarantee, whereby the Company will guarantee repayment of all of the obligations incurred by Etea Sicurezza, pursuant to an issuance of the Notes by it in an aggregate principal amount of USD $1,000,000. 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 of USD$30,000 to the Company.

16. Financial instruments

General objectives, policies and procedures

The Company's objectives when managing capital are to safeguard its ability to continue its investments *[note 1]* As such, the Company relies primarily on the equity markets to fund its activities. In order to carry out planned activities and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company has not used term debt financing and has not paid any dividends. As well, the Company does not have any externally imposed capital requirements, either regulatory or contractual, to which it is subject.

The Company's Board of Directors has overall responsibility for the determination of the Company's risk management objectives and operating processes that ensure effective implementation of the policies set out below. The Company's Board of Directors receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Principles of risk management

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 and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company is exposed through its activities to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Foreign exchange risk.

The fair values of the convertible debentures is determined using the discounted cash flow method using discount rate that reflects rates currently available for debt on similar terms, considering the Company's credit risk and remaining maturity.

Below is a comparison of the carrying amount of the financial instruments and their respective fair values as at March 31, 2018 and September 30, 2017 respectively:

	Classification	Fair value level	March 31, 2018 Carrying value $	March 31, 2018 Fair value $	September 30, 2017 Carrying value $	September 30, 2017 Fair value $
Financial assets						
Cash and cash equivalents	Cash	I	**16,205,214**	**16,205,214**	2,018,570	2,018,570
Available for sale investments	Available for sale	II	**4,998,352**	**4,998,352**	677,241	677,241
Other loans receivable	Loans and receivables	II	**100,000**	**100,000**	—	—
Convertible debentures receivable	Loans and receivables	II	**621,640**	**627,865**	—	—
Loans to directors and officers	Loans and receivables	II	**609,411**	**609,411**	—	—
Financial liabilities						
Convertible debentures payable	Other liabilities	III	**2,118,799**	**2,158,828**	—	—

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

For assets and liabilities measured at fair value as at March 31, 2018, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities during the period.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations; the Company's maximum exposure to credit loss is the carrying value of its financial instruments.

The Company is exposed to credit risk from its cash. The Company reviews the banks and financial institutions it deals with to ensure that standards of credit worthiness are maintained.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure.

As at March 31, 2018, the Company had a total of $16,205,214 in cash and cash equivalents. Accounts payable and accrued liabilities have contractual maturities of 30 days or less and are subject to normal trade terms, and amounts due to related parties are due on demand.

Market risk analysis

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's primary market exposures are to foreign exchange risk and interest rate risk.

The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on net loss and comprehensive loss where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The consolidated statement of financial position sensitivity relates to foreign currency denominated cash, other receivables, AFS investments, and accounts payable and accrued liabilities.
- The sensitivity of the relevant net loss is the effect of the assumed changes in foreign currency. This is based on the financial assets and financial liabilities held at March 31, 2018 and September 30, 2017 and constant throughout the period/year.
- The impact on other comprehensive loss/income where applicable

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign exchange risk arises primarily with respect to GBP, Australian dollars ("AUD") and USD.

To the extent that these financial instruments are unhedged, or are not adequately hedged, the value of the Company's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be affected unfavourably by fluctuations in currency rates and exchange control regulations. The Company has not entered into hedging instruments to manage exposure to currency movements at this stage.

As at March 31, 2018 the exposure of the Company to foreign exchange rates is summarized as follows:

	GBP	USD	AUD	EUR
Cash	—	3,006,457	44,415	—
Available for sale investments	—	—	249,430	—
Other receivables	—	30,000	—	199,571
Accounts payable and accrued liabilities	(138,749)	(46,862)	—	—
Convertible debentures – host debt component	—	(2,340,000)	—	—
Total	(138,749)	649,595	293,845	199,571

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at March 31, 2018. This sensitivity does not represent the consolidated statement of loss and comprehensive loss impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

If the Canadian dollar had gained or lost 5% against each of the following currencies the increase (decrease) in net comprehensive loss for the six-month period ended March 31, 2018 would have been as follows:

	Impact on net comprehensive loss		
Fluctuation in foreign currency rate	**CAD/GBP rate**	**CAD/USD Rate**	**CAD/AUD rate**
	$	$	$
Six-month period ended March 31, 2018			
+ 5%	5,283	89,455	14,552
- 5%	(5,283)	(89,455)	(14,552)

17. Contingent liabilities

From time to time, the Company is involved in legal proceedings, audits, claims and litigation which primarily relate to tax exposure, investment agreement terminations and related disputes, contractual disputes and employee claims arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts and will ultimately be resolved when one or more future events occur or fail to occur. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter 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.

18. Subsequent events

[a] Global Canna Labs

On April 17, 2018, the Company entered into an agreement with Global Canna Labs to provide it with a second bridging loan (”Bridging Loan - 2”) for $100,000, on the same terms as Bridging Loan - 1.

On April 20, 2018 the Company announced that it had successfully completed its due diligence on its proposed investment in Global Canna Labs.

On May 15, 2018 the Company announced that the documentation for the investment in Global Canna Labs had been completed and has now been submitted to the TSXV for review and approval.

On May 22, 2018, the Company entered into an agreement with Global Canna Labs to provide it with a third bridging loan (”Bridging Loan - 3”) for $200,000, on the same terms as Bridging Loan - 1.

[b] Evolution Bnk

On March 12, 2018 the Company announced the signing of a Letter of Intent ("LOI") with Evolution Bnk ATM S.p.A ("Evolution Bnk") for a secured loan by LGC Capital in an amount of €3,000,000 (approximately $4,700,000), convertible in certain circumstances into a 49% equity interest in Evolution Bnk. The LOI also provides that LGC Capital 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. Closing of the transaction with Evolution Bnk is subject to satisfactory due diligence on the part of LGC, the parties entering into definitive agreements, standard closing conditions, and regulatory approval, including that of the TSX Venture Exchange.

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 €400,000 ($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.

[c] Investment in CLV Frontier Brands Pty Ltd

On January 11, 2018, the Company announced the launch of the joint venture CLV Frontier Brands Pty Ltd [“CLV”], in which the Company, Creso Pharma Limited [“Creso”] and Baltic Beer Company Ltd (UK) [“Baltic Beer”] will each have a one-third interest. CLV is to develop and market a bespoke beer containing 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.

On April 18, 2018 the Company announced that the TSX Venture Exchange had conditionally accepted LGC Capital'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.

[d] Etea Sicurezza

On May 22, 2018, the Company entered into an agreement with Etea Sicurezza to provide a bridging loan (the "Etea Loan") for up to €500,000 ($754,074) for a term of six months. The first draw of the Etea Loan was in the amount of €74,465 ($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 Loan is in the amount of €400,000 ($603,259) for working capital. The third draw of the Etea Loan in the amount of €25,535 ($38,510) shall be payable at the Company's discretion. The Etea Loan pays interest at a rate of 8% per annum on the second draw down.

[e] Tricho-Med Corporation

During the period April 1, 2018 to May 29, 2018, a further $590,435 was drawn down under the Tricho-Med Loan.

[f] Disposals of available for sale investments

During the period April 1, 2018 to May 29, 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 29, 2018 *[note 6[b]]*.

[g] Stock option grants

At the annual meeting of the Company 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.

[h] Issuance of shares for debt

At the annual meeting of the Company 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.