LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended June 30, 2017

As at August 28, 2017

Management's Discussion and Analysis
For the three and nine months ended June 30, 2017

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 nine months ended June 30, 2017 and 2016. It should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of LGC Capital for the three and nine months period ended June 30, 2017 and 2016.

The unaudited condensed interim consolidated financial statements of LGC Capital for the three and nine months period ended June 30, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

REVERSE ASSET ACQUISITION AND TAKEOVER

On July 12, 2016, Leni Gas Cuba Limited ("Leni Gas Cuba"), completed a reverse asset acquisition and takeover ("RTO") of LGC Capital. On completion of the RTO, Knowlton Capital Inc. ("Knowlton") changed its name to LGC Capital Ltd.

LGC Capital, Leni Gas Cuba and its subsidiary Leni Gas Holdings Spain, SLU ("Leni Gas Spain"), and the subsidiary LGC Capital EU OU**,** are collectively referred to as the "Company" in this MD&A.

As a consequence of the RTO and pursuant to securities legislation, the year end of LGC Capital was changed to September 30, the year end of Leni Gas Cuba. As a result of the RTO, for accounting purposes, Leni Gas Cuba, the legal acquiree, is the accounting acquirer of LGC Capital and all comparative information presented in this MD&A relates to the financial position, operations and results of Leni Gas Cuba since its incorporation on March 3, 2015. The results of operations of LGC Capital are included in the financial information in this MD&A post completion of the RTO on July 12, 2016.

The comparative information of Leni Gas Cuba has been translated from GBP to Canadian dollars which is the reporting currency of LGC Capital. All assets and liabilities were translated at the exchange rate as at the reporting period balance date, share capital, warrants and contributed surplus were translated using the exchange rates at the date of the initial transactions, and revenue and expenses were translated at the average rate for the period. The difference was recorded in accumulated other comprehensive income.

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, including those concerning the Company's proposed Transaction (as such term is defined below). 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 was incorporated on July 9, 2004 under the *Canada Business Corporations Act* and is a reporting issuer in the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec. The Company's common shares are listed for trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "QBA" (prior to July 19, 2016, its common shares were listed for trading on the NEX board of the TSX-V under the symbol "KWC.H").

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

Description of the Company's Business

LGC Capital is an investment company that seeks to invest in international, high growth businesses. LGC Capital's objective is to become a diversified business group structured around the following divisions: LGC Pharmaceutical, LGC Petroleum, LGC Tourism, LGC Agriculture, LGC Sports & Media, and LGC Trade.

In June 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 which will aim to develop a fully-regulated cannabis growing and processing industry in the southern African region for export to certified and regulated 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 and AfriAg jointly signed a binding agreement with House of Hemp in South Africa, for the sole and exclusive right to acquire a 60% beneficial interest in House of Hemp and on July 20, 2017 the Corporation made an initial payment ZAR200,000 ($19,595) under this agreement. LGC Capital and AfriAg also committed to pay additional amounts of ZAR375,000 (approximately $37,000) per month for a period of six months, to House of Hemp to cover its ongoing general overheads, certain salaries and growing facility lease payments and 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. Also as part of the transaction, LGC Capital and AfriAg have also committed to secure the necessary $4.9 million estimated to commence large-scale trial production within the Dube TradePort Block D greenhouses as soon as development plans are finalized.

LGC Capital's current significant investments and activities are as follows:

- 50/50 joint venture with AfriAg, with the exclusive right to acquire a 60% beneficial interest in South Africa based House of Hemp, which became the first private company to be awarded an exclusive permit from the Departments of Agriculture and Health to legally cultivate and process hemp in South Africa.
- 7.43% interest in Melbana Energy Limited ("Melbana"), an Australian listed oil and gas explorer.
- 14% of Petro Australis Limited ("Petro Australis"), an Australian un-listed oil and gas explorer.
- 40% of the In Cloud 9/Travelwelcome Group ("iC9"), a bespoke Cuban travel, events management, TV and film production assistance group.

- 50% interest in an imports and exports joint venture with Groombridge Trading Corporation, a Canadian based trading company.
- 50% interest in the Rushmans Joint Venture for sport with respect to certain sporting events.
- 10.14% interest in The Cuba Mountain Coffee Company Ltd, a UK company aiming to develop a new venture around the bespoke Cuban coffee market.

Capital Raising

On August 18, 2017 the Company announced that it had received conditional approval from the TSX Venture Exchange for a private placement of a maximum of 30,000,000 units at a price of $0.10 per unit, for maximum gross proceeds to LGC of $3.0 million. To date, the Company has received signed subscription agreements and subscription funds for an aggregate amount of $2,410,000, which represents 24,100,000 units. Of that amount, senior management is contributing $300,000.

Each of the units will be comprised of one common share and one common share purchase warrant; each warrant will entitle its holder to acquire one additional LGC Capital common share at a price of $0.15 for a period of one year from the closing date. In the event that the closing price of LGC Capital's common shares on the TSX Venture Exchange is at least $0.20 for a period of not less than 20 consecutive trading days, the warrants will expire, at the sole discretion of LGC Capital, on the 30th day after the date on which LGC Capital sends a notice in prescribed form to the holders of the warrants.

LGC Capital will use the net proceeds from this private placement to advance the Company's new initiatives in the global medical cannabis sector and for general working capital purposes. In particular, some of the capital raised will be used to assist with the funding of the Company’s new joint venture with AfriAg and recent investment in the House of Hemp (Pty) Ltd in South Africa. A portion of the net proceeds from this private placement may also be used towards seeking new medical cannabis investment opportunities elsewhere in southern Africa and in the Asia Pacific region.

Management Changes

On February 23, 2017, LGC Capital announced changes to its executive management team, with Mr. John McMullen appointment as Chief Executive Officer of LGC Capital to replace Mr. David Lenigas. Mr. Lenigas will continue to be very active with LGC Capital and remains as Co-Chairman of the Board of Directors of LGC Capital.

Mr. McMullen has been an advisor to LGC Capital since its listing on the TSX Venture Exchange in July 2016. In a career of more than 20 years, Mr. McMullen gained extensive experience in international capital markets, with specific emphasis on supporting and advising micro and small cap publicly traded companies. During that time, Mr. McMullen held various positions at major investment firms. He is a graduate of the University of Western Ontario with a Bachelor of Arts Degree.

Review of Investments

The following investments had changes during the last reporting periods.

Oil Investments

During the reporting period and subsequent, the Company has taken the opportunity to lock in gains on its investment in Australian listed Cuban oil explorer Melbana (previously MEO Australia Limited) through on-market sales. From an initial holding of 140,716,573, the Company has divested to date a total of 55,060,376 shares at an average of A$0.0165 per share, which represents a positive return on its entrance price of A$0.01 per share.

During the three and nine-month periods ended June 30, 2017, the Company divested 4,566,693 and 22,763,636 shares in Melbana respectively, at average prices of A$0.015 and A$0.022, for total proceeds of A$69,296 ($70,531) and A$499,485 ($502,265) respectively, which resulted in a reduction of the Company's interest in Melbana from 14.76% on September 30, 2016 to 12.37% at June 30, 2017. During the three and nine-month periods ended June 30, 2017, the Company recognized a gain on disposal of shares of Melbana of A$23,629 ($30,197) and A$271,849 ($307,985) respectively, recorded in profit and loss, and also losses on disposal of shares of Melbana of A$41,100 ($79,892) and A$322,483 ($374,551) respectively, recorded in other comprehensive loss. The closing share price of Melbana as at June 30, 2017 was A$0.017 and during the three and nine-month periods then ended the movement in value of the Company's investment amounted to losses of A$943,624 ($1,066,176) and A$1,920,211 ($1,909,639) respectively.

During the period July 1, 2017 to August 21, 2017, the Company divested of 32,296,740 shares in Melbana at an average price of A$0.013 for total proceeds of A$409,481 ($406,971), which resulted in a reduction of the Company's interest in Melbana from 12.85% on March 31, 2017 to 8.99% as at August 21, 2017. Further to a share placement announced by Melbana on August 23, 2017, the Company's interest in Melbana was diluted to 7.43%.

The Company holds a 14% shareholding in Petro Australis, which holds a conditional 40% back-in option in to Block 9 in Cuba, held 100% by Melbana. The Company acquired 10,961,667 ordinary shares in Petro Australis at an average of A$0.15 per share, which on acquisition in July/August 2015 represented a 15% interest. In August 2016, Petro Australis completed an equity raising at A$0.20 per share. Based on the August 2016 equity raising price, the Company estimates that, at September 30, 2016 and March 31, 2017, the fair value of its shares in Petro Australis, was A$0.20, resulting in an increase in value of the Company's investment by A$548,083 ($944,816) and A$nil ($nil) respectively. As at June 30, 2017 the Company's interest in Petro Australis was 14.0% [September 30, 2016 – 14.0%].

Travel Investment

The Company is pleased with the continued growth of iC9 a bespoke travel and concierge business, in which the Company holds a 40% interest.

iC9 revenues for the three months ended June 30, 2017 were US$629,000 ($846,000), a significant increase over the corresponding quarter in 2016 of US$270,000 ($357,000). Revenues for the nine months ended June 30, 2017 were US$1,336,000 ($1,779,000), a significant increase over the corresponding period in 2016 of US$871,000 ($1,154,000). The profit for the three and six months ended June 30, 2017 of US$88,000 ($119,000) and US$99,000 ($131,000) respectively was significantly up on the corresponding periods in 2016 of a loss of US$24,000 ($31,000) and profit of US$21,000 ($27,000). The Company's 40% share of profit for the three and six months ended June 30, 2017 was $48,000 and $53,000 respectively.

During the three and nine month periods ended June 30, 2017, the Company made working capital loans to iC9 in the amount of $22,573 and $118,194 respectively [2016 - $33,509 and $116,635].

Coffee Investment

The Company is pleased with the progress being made by Cuba Mountain Coffee Ltd ("CMC"), a UK company in which the Company holds a 10.14% interest, with the aim of assisting CMC's efforts in boosting Cuba's coffee production and exporting this valuable premium product to the world.

In December 2016, the Company participated in a rights issue by the Cuba Mountain Coffee Company Limited for an investment of £11,200 ($18,635) by subscribing to 112 ordinary shares at price of £100 per share allowing the Company to maintain its interest of 10.14%. Based on the December 2016 rights issue price, the Company estimates that, at June 30, 2017, the fair value of its shares in Cuba Mountain was £38,500 ($64,100).

Outlook

The Company is actively seeking to expanding into the global medical cannabis and hemp sector with, whilst growing its current investment portfolio and is constantly reviewing new opportunities and investments that could add future shareholder value.

Financial Information

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 $
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	-	(3,316,850)	(0.01)	8,054,540
June 30, 2016	-	(1,164,758)	(0.01)	5,744,588
March 31, 2016	-	(749,749)	(0.01)	6,589,634
December 31, 2015	-	(2,630,169)	(0.01)	7,226,659
September 30, 2015	-	(97,682)	(0.00)	8,366,291

Three and nine months ended June 30, 2017 compared with the three and nine months ended June 30, 2016

	3 month periods ended June 30		9 month periods ended June 30	
	2017 $	2016 $	2017 $	2016 $
Revenue	-	-	-	-
Net loss	(444,365)	(1,160,388)	(1,567,114)	(4,544,676)
Other comprehensive profit (loss)	(1,031,053)	228,072	(2,362,282)	(214,929)
Net profit (loss) and comprehensive profit (loss)	(1,475,418)	(923,316)	(3,929,396)	(4,759,605)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.02)

The Company reported a net loss for the three and nine months ended June 30, 2017 of $444,365 and $1,567,114 respectively. This was a significant reduction compared to the net loss for the three and nine months ended June 30, 2016 of $1,160,388 and $4,544,676 respectively. The reduced loss is primarily driven by reduced administration costs, as outlined below, as well as the realised gain on the sale of Melbana shares during the period ended June 30, 2017.

Administration expenses for the three and nine months ended June 30, 2017 amounted to $427,297 and $1,776,181 respectively. This was a significant reduction compared to the three and nine months ended June 30, 2016 of $771,868 and $4,152,612 respectively.

	3 month periods ended June 30		9 month periods ended June 30	
	2017 $	**2016** $	**2017** $	**2016** $
Administration expenses:				
Salaries and other employee benefits	**43,805**	17,973	89,704	25,348
Directors' fees and consultancy	**147,569**	196,720	473,731	499,367
Legal fees	**30,838**	89,210	107,703	264,846
Regulatory expenses	**18,034**	70,584	86,477	802,026
Consultancy fees	**51,867**	178,749	360,278	1,029,963
Travel and business development	**7,272**	46,305	38,322	217,532
Investor / public relations	**17,500**	47,421	80,205	55,296
Office expenses	**31,372**	78,710	107,090	86,069
Professional fees	**-**	28,139	31,221	30,606
Stock-based compensation	**76,045**	-	381,873	1,105,504
Other administration	**2,995**	18,057	19,577	36,082
Total	**427,297**	771,868	1,776,181	4,152,612

The considerably reduced administration costs for the nine months ended June 30, 2017 compared to 2016, includes the effect of a significant reduction in consultancy fees, and travel and business development expenditure, as well as the significant regulatory costs incurred in 2016 in respect of the listing on the ISDX exchange and issue of options.

For the three months ended June 30, 2017, the share of net profit from associates was $47,685 (2016: loss of $12,498) and the share of losses from joint ventures was $27,076 (2016: $15,281), resulting from the addition of the contribution from the Rushmans Joint Venture.

During the three months ended June 30, 2017, the Company recognized a gain of $30,197 (2016: nil) on the divestment of 4,566,693 shares in Melbana at an average price of A$0.022 for total proceeds of A$69,296 ($70,531).

During the three months ended June 30, 2017, the Company had other comprehensive loss of $1,031,053 (2016: gain of $228,072), comprising a decrease in the value of available for sale investments of $1,066,175 (2016: increase of 366,638), realised gain on available for sale investments of $79,892 (2016: nil) and foreign exchange gain on translation of foreign subsidiaries of $115,014 (2016: loss of 138,566). The decrease in the value of available for sale investments is primarily driven by the decrease of the price of Melbana shares from A$0.025 as at March 31, 2017 to A$0.017 as at June 30, 2017. The value of the Company's holding in Melbana shares was $2,002,850 as at June 30, 2017.

Cash Flows

Cash flows for the three and nine months ended June 30, 2017 compared with the three and nine months ended June 30, 2016

	3 month periods ended June 30		9 month periods ended June 30	
	2017 $	**2016 $**	**2017 $**	**2016 $**
Cash flows from operating activities	(237,147)	(363,368)	(1,265,932)	(3,040,210)
Cash flows from investing activities	70,531	(233,963)	483,713	(1,667,858)
Cash flows from financing activities	52,510	-	382,970	381,629
(Decrease)/Increase in cash	(114,106)	(597,331)	(399,249)	4,326,439
Net foreign exchange differences	4,443	(99,781)	(3,497)	(605,148)
Cash, beginning of period	193,054	2,338,380	486,137	6,572,825
Cash, end of period	83,391	1,641,238	83,391	1,641,238

Cash at the beginning of the reporting period on October 1, 2016 was $486,137, with the closing cash position on June 30, 2017 being $83,391. This decrease is due primarily to net cash outflows associated with operating activities described above.

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 June 30, 2017, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the three and nine months ended June 30, 2017 and 2016, the Company recorded the following compensation for key management personnel and the Board of Directors:

	3 month periods ended June 30		9 month periods ended June 30	
	2017 $	**2016 $**	**2017 $**	**2016 $**
Directors' fees	49,107	196,720	164,111	499,367
Management fees	24,000		32,000	
Stock-based compensation	64,378		191,937	665,281
Total	**137,485**	**196,720**	**388,048**	**1,164,648**

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

[a] During the three and nine-month periods ended June 30, 2017, the Company purchased travel services from its associate, InCloud9. During the three and nine-month periods ended June 30, 2017, the total amount charged to administration expenses in respect of such services amounted to $8,640 and $21,359 [2016 – $19,565 and $86,216].

[b] During the three and six-month periods ended June 30, 2017, the Company made working capital loans to the its 40% owned associate, InCloud9 in the amount of $22,573 and $118,194 respectively [2016 - $33,509 and $116,635].

[c] During the three and six-month periods ended June 30, 2017, the Company made working capital loans to the 50:50 unincorporated joint venture with Groombridge Trading in the amount of $91,445 and $112,193 [2016 – $38,756 and $213,369].

[d] During the three and six-month periods ended June 30, 2017, the Company made working capital loans to the 50:50 unincorporated joint venture with Rushmans Ltd in the amount of $5,590 and $86,177 [2016 – $27,875 and $27,875].

[e] During the three and six-month periods ended June 30, 2017, 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 June 30, 2017, the total amount for such services was $98,462, which was recorded in directors fees [2016 – nil]. For the six-month period ended June 30, 2017, the total amount for such services was $309,620, which was recorded in directors fees [2016 – nil]. As at June 30, 2017, an amount of $269,870 [September 30, 2016 – $14,810] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Capitalization

As at August 28, 2017 there were 234,201,810 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 46,669,679 common shares issued and outstanding (39,013,179.00 exercisable), and warrants in respect of 1,976,000 common shares issued and outstanding. On March 31, 2017, LGC Capital and David Lenigas entered into an agreement to cancel 8,000,000 options held by Mr. Lenigas.

On August 7, 2017, one consultant of the Company exercised 156,500 stock options at an exercise price of $0.064 per share for a gross proceed to the Company of $10,016.

The stock options have weighted average exercise prices ranging from $0.07 to $0.93 per share and expiry dates ranging from November 1, 2018 to March 31, 2022. The warrants have an exercise price of $0.23 per share and an expiry date of November 2, 2022.

Commitments

As at March 31, 2017, the Company had commitments under operating leases requiring annual rental payments as follows:

Fiscal Year	**Total $**
2017	69,295
2018	69,295
2019	69,295
2020	69,295
2021	17,324
Total	**294,504**

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, 2016.

New standards, interpretations and amendments adopted by the Company

The nature and the impact of the new standard, interpretation and amendment adopted by the Company on October 1, 2016 is described below:

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the Management Discussion and Analysis). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively and was effective for annual periods beginning on or after January 1, 2016. The adoption of this amendment did not have an impact on the Company's interim condensed consolidated financial statements.

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, 2016 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, 2016 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 the *System for Electronic Document Analysis and Retrieval* at www.sedar.com.