Condensed Interim Consolidated Financial Statements

LGC Capital Ltd.

For the three and nine-month periods ended June 30, 2018 and 2017

(Unaudited)

INDEX

NOTICE TO READER

Management has compiled the unaudited condensed interim consolidated financial statements of LGC Capital Ltd. as at June 30, 2018 and for the three and nine-month periods ended June 30, 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,

	June 30, 2018	September 30, 2017
	$	$
Assets		
Current assets		
Cash and cash equivalents *[note 16]*	**11,100,372**	2,018,570
Available for sale investments *[notes 6 and 16]*	**—**	677,241
Other loans receivable *[notes 8 and 16]*	**3,143,203**	—
Other receivables	**116,518**	51,469
Total current assets	**14,360,093**	2,747,280
Non-current assets		
Available for sale investments *[notes 6 and 16]*	**4,982,141**	—
Investments in joint ventures *[note 7]*	**230,843**	—
Convertible debentures receivable *[notes 9 and 16]*	**1,328,713**	—
Loans to directors and officers *[notes 10 and 16]*	**609,411**	—
Total non-current assets	**7,151,108**	**—**
	21,511,201	2,747,280
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities *[notes 14 and 16]*	**639,901**	845,902
Convertible debentures payable *[notes 11 and 16]*	**2,486,072**	—
Loan payable *[note 12]*	**—**	325,035
Total current liabilities	**3,125,973**	1,170,937
Equity		
Share capital *[notes 2 and 13]*	**46,718,720**	13,108,479
Warrants *[notes 2, 11 and 13]*	**4,940,365**	1,008,365
Contributed surplus *[note 13]*	**(4,120,324)**	1,568,627
Accumulated other comprehensive loss	**(1,073,147)**	(1,102,365)
Deficit	**(28,080,386)**	(13,006,763)
Total equity	**18,385,228**	1,576,343
	21,511,201	2,747,280

Guarantees *[note 15]*
Subsequent events *[note 17]*

See accompanying notes

LGC Capital Ltd.

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

Three and nine-month periods ended June 30,

	Three-month periods ended June 30,		Nine-month periods ended June 30,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Revenues	**23,073**	—	**286,641**	—
Expenses				
Adminstrative expenses *[note 4]*	**9,571,978**	427,297	**15,565,486**	1,776,181
Realized gain on available for sale investments *[note 6]*	**(32,808)**	(30,197)	**(223,951)**	(307,985)
	9,539,170	397,100	**15,341,535**	**1,468,196**
Operating loss	**(9,516,097)**	(397,100)	**(15,054,894)**	**(1,468,196)**
Finance income *[notes 4 and 9]*	**(63,969)**	—	**(86,863)**	(64)
Finance expense *[notes 4 and 11]*	**365,309**	47,057	**635,133**	47,057
Changes in fair value of embedded derivatives *[notes 9 and 11]*	**40,454**	—	**(574,390)**	—
Share of profit of associates	**—**	(47,685)	**—**	(52,960)
Share of loss of joint ventures *[note 7]*	**—**	27,076	**—**	69,616
Foreign exchange (gain) loss	**(31,749)**	20,818	**44,849**	35,269
	310,045	47,265	**18,729**	98,918
Net (loss) for the period	**(9,826,141)**	(444,365)	**(15,073,623)**	(1,567,114)
Other comprehensive income (loss)				
Other comprehensive income (loss) items that may subsequently be reclassified to profit or loss				
(Decrease) increase in value of available for sale investments, net of taxes *[note 6]*	**(17,222)**	(1,066,175)	**204,006**	(1,909,638)
Realized gain on available for sale investments reclassified to profit or loss *[note 6]*	**(32,808)**	(79,892)	**(223,951)**	(374,551)
Foreign exchange gain (loss) on translation of foreign subsidiaries, net of taxes	**(41,905)**	115,014	**49,163**	(78,093)
Other comprehensive income (loss)	**(91,936)**	(1,031,053)	**29,218**	(2,362,282)
Comprehensive (loss)	**(9,918,077)**	(1,475,418)	**(15,044,406)**	(3,929,396)
Net loss per share				
Basic and fully diluted	**(0.03)**	(0.00)	**(0.05)**	(0.01)
Weighted average number of outstanding shares				
Basic and fully diluted	**357,515,215**	234,045,310	**323,352,785**	234,045,310

See accompanying notes

LGC Capital Ltd.

Condensed interim consolidated statements of changes in equity
(Unaudited)

Nine-month periods ended June 30,

	Share capital		Warrants		Contributed surplus	Accumlated other comprehensive loss		Deficit	Total
						Available-for-sale reserve	Foreign currency tralsation reserve		
	#	$	#	$	$	$	$	$	$
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]*	—	—	—	—	381,873	—	—	—	381,873
Decrease in value of available for sale investments, net of taxes *[note 6]*	—	—	—	—	—	(1,909,638)	—	—	(1,909,638)
Realized loss on available for sale investments reclassified to profit or loss *[note 6]*	—	—	—	—	—	(374,551)	—	—	(374,551)
Foreign exchange loss on translation of foreign subsidiaries, net of taxes	—	—	—	—	—	—	(78,093)	—	(78,093)
Net loss for the period	—	—	—	—	—	—	—	(1,567,114)	(1,567,114)
Balance – June 30, 2017	**234,045,310**	**11,213,399**	**1,976,000**	**91,579**	**1,430,925**	**2,302,177**	**(1,508,213)**	**(9,526,322)**	**4,003,544**
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 12 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 acquire available for sale investments *[notes 6 and 13]*	**10,660,000**	**3,272,600**	**—**	**—**	**—**	**—**	**—**	**—**	**3,272,600**
Issuance of LGC Capital shares to settle accounts payable and accrued liabilities *[note 13]*	**1,370,946**	**180,585**	**—**	**—**	**—**	**—**	**—**	**—**	**180,585**
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]*	**—**	**—**	**—**	**(18,151)**	**—**	**—**	**—**	**—**	**(18,151)**
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**
Stock-based compensation *[notes 4 and 13]*	**—**	**—**	**—**	**—**	**12,404,746**	**—**	**—**	**—**	**12,404,746**
Increase in value of available for sale investments, net of taxes *[note 6]*	**—**	**—**	**—**	**—**	**—**	**204,006**	**—**	**—**	**204,006**
Realized gain on available for sale investments reclassified to profit or loss [note 6]	**—**	**—**	**—**	**—**	**—**	**(223,951)**	**—**	**—**	**(223,951)**
Foreign exchange gain on translation of foreign subsidiaries, net of taxes	**—**	**—**	**—**	**—**	**—**	**—**	**49,163**	**—**	**49,163**
Net loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(15,073,623)**	**(15,073,623)**
Balance – June 30, 2018	**357,839,734**	**46,718,720**	**55,235,099**	**4,940,365**	**(4,120,324)**	**525,510**	**(1,598,657)**	**(28,080,386)**	**18,385,228**

Guarantees *[note 15]*
Subsequent events *[note 17]*

See accompanying notes

LGC Capital Ltd.

Condensed interim consolidated statements of cash flows
(Unaudited)

Three and nine-month periods ended June 30,

	Three-month periods ended June 30,		Nine-month periods ended June 30,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Operating activities				
Net loss for the period	**(9,826,141)**	(444,365)	**(15,073,623)**	(1,567,114)
Items not impacting cash:				
Realised gain on sale of available for sale investments *[note 6]*	**(32,808)**	(30,197)	**(223,951)**	(307,985)
Finance income *[notes 4 and 9]*	**(52,700)**	—	**(65,967)**	—
Finance expense *[notes 4 and 11]*	**365,309**	37,386	**635,133**	37,386
Changes in fair value of embedded derivatives *[note 11]*	**40,454**	—	**(574,390)**	—
Share of profit of associates	**—**	(47,685)	**—**	(52,960)
Share of losses of joint ventures *[note 7]*	**—**	27,076	**—**	69,616
Unrealized foreign exchange gain	**30,897**	—	**7,195**	—
Stock-based compensation *[notes 4 and 13(d)]*	**8,504,625**	76,045	**12,404,746**	381,873
	(970,364)	(381,740)	**(2,890,857)**	(1,439,184)
Change in non-cash working capital items	**(477,415)**	144,593	**(475,555)**	173,252
Net cash flows from operating activities	**(1,447,779)**	(237,147)	**(3,366,412)**	(1,265,932)
Investing activities				
Acquisition of available for sale investments *[note 6]*	**—**	—	**(1,478,699)**	(18,552)
Disposal of available for sale investments *[note 6]*	**220,063**	70,531	**905,221**	502,265
Acquisition of investments in joint ventures *[note 7]*	**(230,843)**	—	**(230,843)**	—
Issuance of other loans receivable *[note 8]*	**(2,360,746)**	—	**(2,988,770)**	—
Acquisition of convertible debentures receivable *[note 9]*	**(1,228,800)**	—	**(1,328,800)**	—
Cash flows from investing activities	**(3,600,326)**	70,531	**(5,121,891)**	**483,713**
Financing activities				
Proceeds from issuance of convertible debentures *[note 11]*	**—**	—	**2,947,401**	—
Convertible debenture issue costs *[note 11]*	**(15,620)**	—	**(67,788)**	—
Repayment of loans *[note 12]*	**—**	52,510	**(325,440)**	382,970
Proceeds from issuance of shares and warrants *[note 13]*	**(30,000)**	—	**11,785,708**	—
Share and warrant issue costs *[note 13]*	**—**	—	**(851,166)**	—
Proceeds from the exercise of stock options *[note 13]*	**20,000**	—	**578,860**	—
Proceeds from the exercise of warrants *[note 13]*	**—**	—	**3,483,882**	—
Cash flows from financing activities	**(25,620)**	**52,510**	**17,551,457**	**382,970**
Increase (decrease) in cash and cash equivalents	**(5,073,725)**	(114,106)	**9,063,154**	(399,249)
Net foreign exchange differences	**(31,117)**	4,443	**18,648**	(3,497)
Cash and cash equivalents, beginning of period	**16,205,214**	193,054	**2,018,570**	486,137
Cash and cash equivalents, end of period	**11,100,372**	83,391	**11,100,372**	83,391

See accompanying notes

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and nine-month periods ended June 30, 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). The registered office of LGC Capital Ltd. is located at 800 Place Victoria, Suite 3700, Montréal, Québec, Canada.

LGC Capital Ltd, and its wholly-owned subsidiaries, LGC Finance Limited (formerly Leni Gas Cuba Limited) ("LGC Finance") 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.

All amounts are expressed in Canadian dollars unless otherwise noted. Certain amounts in these condensed interim consolidated financial statements are expressed in British Pounds ("GBP"), Australian dollars ("AUD") and Euros (EUR).

2. Basis of preparation

Statement of compliance

The condensed interim consolidated financial statements of the Company for the three and nine-month periods ended June 30, 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 consolidated 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 consolidated 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 August 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-V 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 LGC Finance and LGC Estonia are GBP and Euro respectively.

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 nine-month periods ended June 30:

	Three-month periods ended June 30		Nine-month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Administration expenses:				
Salaries and other employee benefits	**59,894**	43,805	**206,368**	89,704
Directors' fees and consultancy *[note 14]*	**149,515**	147,569	**799,344**	473,731
Legal fees	**218,033**	30,838	**527,225**	107,703
Regulatory expenses	**131,870**	18,034	**478,325**	86.477
Consultancy fees	**68,757**	51,867	**147,080**	360,278
Conferences	**5,893**	—	**5,893**	—
Travel and business development	**67,746**	7,272	**200,613**	38,322
Investor / public relations	**78,631**	17,500	**171,427**	80,205
Office expenses	**17,954**	31,372	**53,544**	107,090
Professional fees	**(10,033)**	—	**47,211**	31,221
Stock-based compensation [note 13(d)]	**8,504,625**	76,045	**12,404,746**	381,873
House of Hemp expense [i]	—	—	**162,367**	—
Tricho-Med option expense [ii]	—	—	**50,000**	—
Global Canna Labs finders fee [iii]	**257,500**	**—**	**257,500**	**—**
Other	**21,593**	2,995	**53,843**	**19,577**
Total	**9,571,978**	427,297	**15,565,486**	**1,776,181**

	Three-month periods ended June 30		Nine-month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Finance income:				
Interest on convertible debentures receivable *[note 9]*	**29,351**	—	**35,576**	—
Accretion of convertible debentures receivable *[note 9]*	**17,124**	—	**30,391**	—
Other interest	**17,494**	—	**20,896**	64
Total	**63,969**	—	**86,863**	64

	Three-month periods ended June 30		Nine-month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Finance expense:				
Interest on convertible debentures payable *[note 11]*	**72,977**	—	**112,707**	—
Accretion of convertible debentures payable *[note 11]*	**292,332**	—	**522,426**	—
Interest on loans payable *[note 12]*	—	9,671	—	9,671
Loan fees payable *[note 12]*	—	37,386	—	37,386
Total	**365,309**	47,057	**635,133**	47,057

[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 citing legislative delays in South Africa adversely impacting the timeline for House of Hemp to obtain the necessary commercial licenses.

During the three and nine-month periods ended June 30, 2018, the Company incurred due diligence and other related expenses totaling $Nil and $162,367 respectively [June 30, 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 nine-month period ended June 30, 2018.

[iii] Glabal Canna Labs finder's fee

In January 2018, the Company entered into an agreement with an advisory firm for the identification of investment opportunities, which resulted in the introduction to the Company of Global Canna Labs. Pursuant to this agreement, upon successful completion of a transaction with Global Canna Labs, the Company is to pay a finder's fee calculated as 10% of the total consideration paid pursuant to the respective Definitive Agreement up to $300,000 in total consideration, plus 7.5% of total consideration between $300,000 and $1,000,000, plus 5.0% of total consideration over $1,000,000. The finder's fee may be satisfied fully in cash or 50% cash and 50% common shares of the Company, as determined by the finder. The Company has accrued an expense of $257,500 in respect to this finder's fee.

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 nine--month periods ended June 30 is as follows:

	Three-month periods ended June 30		**Nine-month periods ended June 30**	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Loss before income tax	**(9,826,141)**	(444,365)	**(15,073,623)**	(1,567,114)
Income tax recovery at the combined Federal and Provincial tax rate 26.82% [2017 – 26.90%]	**(2,635,371)**	(119,535)	**(4,042,746)**	(421,554)
Non-deductible expenses and non-taxable revenues	**2,337,044**	—	**3,207,410**	—
Effect of changes in tax rates on temporary items	**—**	1,491	**—**	4,937
Effect of foreign tax rate differences	**(25,044)**	19,222	**(33,447)**	89,551
Changes in valuation allowance	**323,371**	98,822	**868,783**	327,066
Tax recovery at effective income tax rate	**—**	—	**—**	—

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

	June 30, 2018 $	September 30, 2017 $
Deferred income tax assets		
Non-capital loss carry-forwards	**1,325,928**	632,560
Share and convertible debenture issue costs	**261,827**	1,260
Convertible debentures receivable	**23**	—
Other	**7,187**	7,187
	1,594,965	641,007
Deferred income tax liabilities		
Convertible debentures payable	**(85,175)**	—
Net future income tax assets	**1,509,790**	641,007
Unrecognized future income tax assets	**(1,509,790)**	(641,007)
Net future income tax	**—**	—

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and nine-month periods ended June 30, 2018 and 2017

6. Available for sale investments

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

	Nine-month period ended June 30, 2018 $	**Year ended September 30, 2017** $
Balance, beginning of period	**677,241**	6,773,904
Additions	**4,979,491**	18,552
Disposals	**(681,272)**	(582,124)
Decrease in value	**(16,723)**	(4,040,910)
Impairment	—	(1,311,575)
Foreign currency loss on translation	**23,404**	(180,606)
Balance, end of period	**4,982,141**	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 AUD0.15 per share in Petro Australis Limited [“Petro Australis”], an unlisted Australian public company, at a total cost of AUD1,644,250 ($1,599,328). The Company’s shareholding represented, on acquisition, a 15.0% interest in Petro Australis.

As at September 30, 2017, the Company’s interest in Petro Australis was 12.1%.

Prior to September 30, 2017, the Company had received a non-binding offer of A$50,000 for its interest in Petro Australis. On November 29, 2017, the Company completed and executed an agreement, with third parties, to sell 100% of its shareholding in Petro Australis for total consideration of AUD50,000 ($48,574). As a result, as at September 30, 2017, the Company recorded a decrease of fair value of its investment in Petro Australis of AUD548,083 ($820,716) in other comprehensive loss and also an impairment of AUD1,594,250 ($1,248,417) in other comprehensive loss which was subsequently reclassified to net loss.

[b] Melbana Energy Limited

In March 2016 the Company acquired 140,716,573 new ordinary shares at AUD0.01 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 AUD1,407,166 ($1,360,280). The Company’s shareholding represented, on acquisition, a 15.8% interest in Melbana.

During the three and nine-month periods ended June 30, 2018, the Company divested 20,762,318 and 71,902,339 [June 30, 2017 – 4,566,693 and 22,763,636] shares in Melbana respectively, at average prices of AUD0.01 and AUD0.01 respectively [June 30, 2017 – AUD0.015 and AUD0.022], for total proceeds of AUD225,340 ($220,063) and AUD882,198 ($856,847) respectively [June 30, 2017 – AUD69,296 ($70,531) and AUD499,485 ($502,265) respectively], which resulted in a reduction of the Company's interest in Melbana from 4.81% as at September 30, 2017 to Nil% as at June 30, 2018. During the three and nine-month periods ended June 30, 2018, the Company recognized a gain on disposal of shares of Melbana of AUD17,718 ($32,808) and AUD163,175 ($223,951) [June 30, 2017 – AUD23,629 ($30,197) and AUD271,849 ($307,985) respectively], recorded in other comprehensive income (loss) which was subsequently reclassified to net loss.

During the three and nine-month periods ended June 30, 2018 the movement in fair value of the Company's investment amounted to a loss of AUD41,524 ($52,681) and a gain of AUD71,902 (loss of $19,373) respectively [June 30, 2017 – losses of AUD943,624 ($1,066,176) and AUD1,920,211 ($1,909,639) respectively].

[c] The Cuba Mountain Coffee Company Limited

In June 2016 the Company acquired a total of 273 ordinary shares at GBP100 per share in The Cuba Mountain Coffee Company Limited ["Cuba Mountain"] for a total cash consideration of GBP27,300 ($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 GBP100 per share for an investment of GBP11,200 ($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 of GBP38,500 ($63,158)], which was subsequently reclassified to net loss.

[d] Habi Pharma Pty Ltd

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 AUD432,218 ($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-V 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 AUD150,587 ($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 AUD917,194 ($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 June 30, 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 June 30, 2018, the Company's interest in Little Green Pharma was 14.21% [September 30, 2017 – $Nil].

During the three and nine-month periods ended June 30, 2018, the movement in the fair value of the Company's investment in Little Green Pharma amounted to a gain of $Nil [June 30, 2017 – $Nil]

[e] Etea Sicurezza Group Ltd (note 15)

On October 10, 2017, 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, on May 15, 2018 the Company was issued shares in Etea Sicurezza, representing 3% of its outstanding share capital, with a deemed value of EUR150,000 ($228,192).

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.

As at June 30, 2018, the fair value of the Company's investment in Etea Sicurezza was determined to be EUR150,000 ($230,842) and during the three and nine-month periods then ended the movement in the fair value of the Company's investment amounted to a gain of $2,650 [June 30, 2017 – $Nil].

7. Investments in joint ventures

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, which is incorporated in Australia, 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 either. CLV is developing a bespoke and unique range of beers and tonics at its newly-built facilities in Europe, with test brewing well advanced.

On April 18, 2018 the Company announced that the TSX-V had conditionally accepted LGC Capital's investment in CLV, subject to LGC filing standard documentation with the TSX-V.

Following completion of required documentation, the Company has acquired a one-third interest in CLV by providing EUR150,000 ($230,843) in equity funding and committed to providing EUR120,000 ($184,674) in additional loan funding as at June 30, 2018 (note 8).

As at June 30, 2018 the Company's interest in joint ventures amounted to $230,843 [September 30, 2017 – $Nil].

During the three and nine-month periods ended June 30, 2018, the Company's share of losses amounted $Nil and $Nil respectively [2017 – $Nil and $Nil].

8. Other loans receivable (note 17(a))

A breakdown of other loans receivable as at June 30, 2018 and September 30,2017 are as follows:

	2018	2017
	$	$
Gobal Canna Labs	**424,327**	—
Evolution Bnk	**1,231,161**	—
Etea Sicurezza	**1,303,041**	—
CLV Frontier Brands	**184,674**	—
Total	**3,143,03**	—

[a] Global Canna Labs

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

On June 21, 2018, the Company announced that it had received conditional approval from the TSX-V in respect to the GCL Transactions. Final TSX-V approval will be subject to the following conditions, inter alia, i) receipt by the TSXV of satisfactory legal opinions and final documentation; ii) the setting up of controls and procedures to ensure that cannabis production is destined for the medical applications market and iii) the establishment of an ongoing monitoring program to ensure that none of GLC's activities are in contravention with current money laundering legislation as well the Canadian Criminal Code.

On July 24, 2018, the Company announced that Global Canna formally received its Tier 3 cultivation license from the Jamaican Cannabis Licensing Agency, which allows Global Canna Labs to cultivate organic medical cannabis at its 270,000 square feet facility within its 6.23 acres site in Montego Bay, Jamaica.

During the period to June 30, 2018, the Company provided bridge funding to Global Canna Labs of $424,327. As at August 29, 2018, the Company has provided additional bridge funding of $589,974, bringing total bridge funding provided to $1,014,301. The bridge funding is repayable on demand, no earlier than November 13, 2018, and is interest free. The bridge funding will be rolled into the Global Canna Labs convertible secured debenture on completion of the GCL Transactions.

[b] Evolution Bnk

On March 12, 2018, the Company announced that it had signed a Letter of Intent with Evolution Bnk ATM SRL ("Evolution Bnk") for a EUR3,000,000 (approx. $4,700,000), secured loan, convertible in certain circumstances into a 49% equity interest, which also provides that the Company will acquire a 5% royalty on net sales ("Evolution Transactions"). The transaction with Evolution Bnk is subject to due diligence, conformity with Italian laws and regulatory approval, including the TSX-V.

Evolution Bnk is currently retrofitting its first 5,000 m2 (54,000 sq.ft.) greenhouse in San Remo Italy, which it believes will have the capability to produce about 7,500 kg of cannabis of low 0.2% THC, legal under Italian law. Evolution Bnk is planning the conversion and commissioning of another 15,000 m2 (160,000 sq. ft.) of greenhouse space in the Sanremo area.
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On April 16, 2018, the Company entered into an agreement with Evolution Bnk to provide it with a bridging loan for EUR400,000 ($626,480), repayable at call after July 16, 2018 and accrues interest at a rate of 10% per annum. On June 19, 2018, the Company entered into an agreement with Evolution Bnk to provide a further bridging loan of EUR400,000 ($620,694), repayable at call after August 19, 2018 and accrues interest at a rate of 10% per annum. The bridging loans provided by the Company to Evolution Bnk are secured by a personal guarantee by a shareholder of Evolution Bnk. The bridge funding provided to Evolution Bnk will be rolled into the Evolution Bnk convertible loan on completion of the Evolution Transactions

During the three and nine-month periods ended June 30, 2018 the total of foreign currency exchange losses recorded in the condensed interim consolidated statements of comprehensive loss in respect of the Evolution Bnk bridging loans amounted to $16,012 [2017 – $Nil and $Nil].

[c] Etea Sicurezza

On May 22, 2018, the Company entered into an agreement with Etea Sicurezza to provide a bridging loan (the "First Etea Loan") for up to EUR500,000 ($757,857) for a term of six months.

On June 19, 2018, the Company entered into an agreement with Etea Sicurezza to provide a further bridging loan for EUR350,000 ($537,742) (the "Second Etea Loan") repayable at call until superceded by a replacement loan agreement or investment agreement.

Of the First Etea Bridging Loan, the first draw down amount, totalling EUR74,465 ($109,585), is interest free, while the remaining drawdown amounts, totalling $648,272, accrue interest at 8% per annum.

The Second Etea Loan accrues interest at a rate of 8% per annum. The Company charged Etea Sicurezza a facilitation fee of EUR15,000 ($23,073) in respect of providing the Second Etea Loan.

As at June 30, 2018, unrealised foreign currency exchange losses incurred in respect of these loans amounting to $7,442 (June 30, 2017 – $Nil) were recorded in the condensed interim consolidated statements of comprehensive loss.

During the three and nine-month periods ended June 30, 2018 interest earned in respect of these loans amounting to $17,489 and $18,467 respectively (June 30, 2017 – $Nil and $Nil) has been recorded in the condensed interim consolidated statement of comprehensive loss under Finance Income [Note 4].

[d] CLV Frontier Brands

As at June 30, 2018, the Company had committed to providing CLV with a loan of EUR120,000 on an unsecured and interest free basis (note 7).

9. Convertible debentures receivable

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 consolidated statement of financial position at its fair value with movements therein recognized in net loss for the period.

A breakdown of convertible debentures receivable as at June 30, 2018 is as follows:

	Host receivable component $	**Embedded derivative (conversion feature) $**	**Total $**
Balance, October 1, 2017	—	—	—
Debentures issued during the period	947,335	381,465	1,328,800
Accretion	30,391	—	30,391
Change in fair value of embedded derivative	—	(30,478)	(30,478)
Balance, June 30, 2018	**977,726**	**350,987**	**1,328,713**

During the three and nine-month periods ended June 30, 2018, interest earned amounted to $29,351and $35,576 respectively (June 30, 2017 – $Nil and $Nil).

10. Loans to directors and officers

On February 16, 2018, LGC Capital announced it had entered into 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 to directors and officers do not bear interest and are repayable . The loans were approved by the TSX-V and by the shareholders of the Company at the Annual General Meeting of LGC Capital on April 9, 2018.

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 Company’s 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 Company’s shares during the 5 trading days prior to the date of the conversion notice. The Company has the right to repay any portion 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 period after the Advance Date.

Each of the 1,643,764 common share purchase warrants issued entitles the Noteholders 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 Debenture 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	**Debenture 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 $67,788 together other transaction fees settled by issuing 376,162 shares of the Company at $0.675 per share totaling $253,909 for total issue costs of $321,697 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 $229.009, $74,537 and $18,151, respectively.

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 consolidated statement of financial position 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 June 30, 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 June 30, 2018**
Risk-free interest rate	1.70%
Expected volatility	180%
Dividend yield	Nil
Expected life [in years]	0.61
Exercise price	$0.50
Share Price	$0.17
Fair value	$0.05

A breakdown of convertible debentures payable as at June 30, 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	(229,009)	(74,537)	(18,151)	(321,697)
Accretion	358,795	74,537	—	433,332
Change in fair value of embedded derivative	—	(604,868)	—	(604,868)
Foreign currency loss on translation	180,056	—	—	180,056
Balance, June 30, 2018	**2,204,809**	**281,263**	**148,152**	**2,634,224**

Total in non-current liabilities	2,486,072
Total equity	148,152
Balance, June 30, 2018	**2,634,224**

During both the three and nine-month periods ended June 30, 2018, interest expense pursuant to Debentures amounted to $72,977 and $112,707 respectively [June 30, 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 AUD325,000 ($330,460) for working capital purposes. On May 25, 2017 the Company obtained a further loan of AUD50,000 ($49,735) bringing the total loan amount to AUD375,000 ($380,245) maturing on June 23, 2017 [the "Calima Loan"].

Pursuant to the Calima Loan, financing fees in the amount of AUD37,500 ($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 AUD100,000 ($101,505). The balance of the loan, as at September 30, 2017, of AUD330,027 ($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 nine-month periods ended June 30, 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-V 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] No options were exercised during the three-month period ended June 30, 2018. During the nine-month period ended June 30, 2018, the Company issued 12,868,779 common shares at an average exercise price of $0.07 per share for total proceeds of $960,984 upon the exercise of stock options, and $5,118,150 related to exercised stock options were transferred from contributed surplus to share capital *[note 13[b]]*.

[viii] No warrants were exercised during the three-month period ended June 30, 2018.During the nine-month period ended June 30, 2017, the Company issued 24,023,215 common shares at an average exercise price of $0.15 per share for total proceeds of $3,603,482 upon the exercise of share purchase warrants, and $13,020,737 related to exercised share purchase warrants were transferred from contributed surplus to share capital *[note 13[c]]*.

[ix] No broker compensation warrants were exercised during the three-month period ended June 30, 2018. During the nine-month period ended June 30, 2017, the Company issued 952,000 common shares at an average exercise price $0.10 per share for total cash proceeds of $95,200 upon the exercise of broker compensation warrants, and $575,540 related to exercised broker compensation warrants were transferred from contributed surplus to share capital *[note 13[c]]*.

[x] On April 24, 2018, the Company issued 1,230,468 common shares at a price of $0.10125 per share for total consideration of $124,585, to settle outstanding liabilities.

Issuances during the three and nine-month periods ended June 30, 2017

[i] There were no issuances of common shares during the three and nine-month periods ended June 30, 2017.

[b] Stock options

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-V and shareholders approved it at the Company's Annual General Meeting held on April 9, 2018.

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

	Nine-month period ended June 30, 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	**45,050,000**	**0.24**	16,000,000	(0.08)
Cancellations during the period / year	**(12,000,000)**	**(0.70)**	(10,000,000)	(0.23)
Expiries during the period / year	**(4,000,000)**	**(0.23)**	—	—
Forfeitures during the period / year	**(500,000)**	**(0.16)**	(313,000)	(0.10)
Exercised during the period / year	**(12,868,779)**	**(0.07)**	(156,500)	(0.06)
Outstanding, end of period / year	**62,194,400**	**0.22**	46,513,179	0.28

The following options are outstanding and exercisable as at June 30, 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	3.46	0.09	6,394,400	0.08
0.15 to 0.299	34,800,000	3.81	0.17	34,000,000	0.17
0.30 to 0.449	18,500,000	9.45	0.36	18,500,000	0.36
0.00 to 1.499	**62,194,400**	**5.24**	**0.22**	**58,894,400**	**0.22**

The stock options granted during the three and nine-month periods ended June 30, 2018 vested over 0 to 1 year [year ended September 30, 2017 – 0 to 1.5 years]. The fair value of stock options granted during the nine-month period ended June 30, 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:

	Nine-month period ended June 30, 2018	**Year ended September 30, 2017**
Risk-free interest rate	**1.92%**	**1.12%**
Expected volatility	**180%**	**180%**
Dividend yield	**Nil**	**Nil**
Expected life [in years]	**6.51**	**4.61**
Share price at grant date	**$0.28**	**$0.030**
Fair value at grant date	**$0.27**	**$0.028**

[c] Warrants

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

	Nine months ended June 30, 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 expired during the period / year	**(40,000)**	**(0.10)**	—	—
Broker compensation warrants exercised in the period / year	**(952,000)**	**(0.10)**	—	—
Outstanding balance, end of period / year	**55,195,099**	**0.33**	32,968,000	0.15

As at June 30, 2018, the warrants outstanding had a weighted average life of 1.57 years and all warrants were exercisable.

There were no warrants granted during the three-month period ended June 30, 2018. The fair value of warrants granted during the nine-month period ended June 30, 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.

	Nine-months ended June 30, 2018	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 nine-month periods ended June 30, 2018, the stock-based compensation expense included in net loss, was $8,504,625 and $12,404,746 respectively [June 30, 2017 – $76,045 and $381,873].

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 nine-month periods ended June 30, 2018, the Company did not purchase any travel services from its former associate InCloud9 Group [June 30, 2017 – $8,640 and $21,359]. During the three and nine-month periods ended June 30, 2018, the Company made no working capital loans to its former associate InCloud9 Group [June 30, 2017 - $22,573 and $118,194].

[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 nine-month periods ended June 30, 2018, the Company made no working capital loans to the former GTC JV [June 30, 2017 - $91,445 and $112,193 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 nine-month periods ended June 30, 2018, the Company made no working capital loans to the former Rushmans JV [June 30, 2017 – $5,590 and $86,177].

[d] During the three and nine-month periods ended June 30, 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 June 30, 2018, the total amount for such services was $65,322, which was recorded in directors fees [three-month period ending June 30, 2017 – $98,462]. For the nine-month period ended June 30, 2018, the total amount for such services was $289,993, which was recorded in directors fees [nine-month period ending June 30, 2017– $309,620]. As at June 30, 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.

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

Excluding the amounts reported above, during the three and nine-month periods ended June 30, 2018 and 2017, the Company recorded the following compensation for key management personnel and the Board of Directors:

	Three-month period ended June 30		**Nine-month period ended June 30**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Directors' fees	**104,193**	49,107	**509,351**	164,111
Management fees	**37,500**	24,000	**90,000**	32,000
Stock compensation	**7,758,832**	64,378	**10,140,577**	191,937
Total	**7,900,525**	137,485	**10,739,927**	388,048

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

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

			June 30, 2018		September 30, 2017	
	Classification	Fair value level	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets						
Cash and cash equivalents	Cash	I	**11,100,372**	**11,100,372**	2,018,570	2,018,570
Available for sale investments	Available for sale	II	**4,979,491**	**4,979,491**	677,241	677,241
Other loans receivable	Loans and receivables	II	**3,143,203**	**3,143,203**	—	—
Convertible debentures receivable	Loans and receivables	II	**1,328,713**	**1,364,289**	—	—
Loans to directors and officers	Loans and receivables	II	**609,411**	**609,411**	—	—
Financial liabilities						
Convertible debentures payable	Other liabilities	III	**2,486,072**	**2,582,981**	—	—

For assets and liabilities measured at fair value as at June 30, 2018, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities during the period.

17. Subsequent events

[a] Global Canna Labs

Subsequent to June 30, 2018, the Company provided additional bridge funding of $589,974 to Global Canna Labs, bringing total bridge funding to date of $1,014,301. The bridge funding is repayable on demand, no earlier than November 13, 2018, and is interest free. The bridge funding will be rolled into the Global Canna Labs convertible secured debenture on completion of the GCL Transactions.

[b] Tricho-Med Corporation

Subsequent to June 30, 2018 up to August 29, 2018, a further $31,965 was drawn down under the Tricho-Med Loan.

[c] Viridi Unit SA

On August 1, 2018, the Company announced it has entered into a binding agreement to acquire 30% of the capital of Viridi Unit SA ("Viridi") of Switzerland. Viridi is a vertically integrated legal cannabis supplier to the Swiss and European markets, growing its own seeds and flowers, producing and developing a wide range of cosmetics, cigarettes and natural wellness Swiss authorized products amongst many of its diversified products and activities.

Under the terms of the agreement, the Company is to acquire a 30% interest through the issuance to Viridi of that number of common shares of LGC Capital for a value corresponding to CHF3,000,000 ($3,940,498) ("Viridi Consideration"). The exact number of shares to be issued will be based on the 5 day volume weighted average price ("VWAP") of LGC Capital's common shares immediately prior to the closing date. It is estimated that the shares to be issued will represent less than 10% of the number of currently outstanding LGC Capital shares. LGC Capital will also receive a 5% lifetime royalty on 's net sales. For this transaction, a finder's fee of 6% of the value of the Viridi Consideration will be paid equally in cash and shares. This transaction will be subject to review and approval by the TSX-V.