LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2016

As at January 30, 2016

Management's Discussion and Analysis
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The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of LGC Capital Ltd. ("LGC Capital") covers the year ended September 30, 2016. It should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended September 30, 2016 and 2015.

The audited consolidated financial statements for the years ended September 30, 2016 and 2015 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"), 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.

After completion of the RTO, Leni Gas Cuba shareholders held 84.43% of the common shares of LGC Capital while original shareholders of Knowlton held 15.57% of the common shares of the LGC Capital.

The comparative information of Leni Gas Cuba as at and for the 211 days ended September 30, 2015 have 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 September 30, 2015, share capital, warrants and contributed surplus were translated using the exchange rates at the date of the initial transactions, and revenue and expenses for the 211 days ended September 30, 2015 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.

Prior to completing the RTO with Leni Gas Cuba on July 12, 2016, LGC Capital was a shell company with no business or operations other than for the purpose of identifying and evaluating business or assets with the aim of completing a transaction to reactivate the Company.

Leni Gas Cuba was incorporated on March 3, 2015 as Leni Gas & Oil Limited under the British Virgin Islands ("BVI") Business Companies Act 2004 with registered number 1864325. On April 23, 2015, Leni Gas & Oil Limited changed its name to Leni Gas Cuba Limited. Prior to the RTO, Leni Gas Cuba's shares were traded on the ISDX Growth market, in London, until July 12, 2016.

Following completion of the RTO, the LGC Capital's business became that of an investment company with investments primarily in Cuba, effected through its wholly-owned subsidiary Leni Gas Cuba.

Reverse Asset Acquisition and Takeover, Consolidation of Shares and Name Change

LGC Capital and Leni Gas Cuba entered into an Arrangement Agreement dated May 27, 2016, as amended on June 2, 2016, with respect to the RTO of LGC Capital by Leni Gas Cuba.

The RTO transaction occurred, pursuant to a Scheme of Arrangement (the "Scheme of Arrangement"), under section 179A of the *BVI Business Companies Act 2004*. On July 1, 2016, the shareholders of Leni Gas Cuba approved the resolution for the Scheme of Arrangement at the BVI Court Directed Meeting. The RTO was approved by the shareholders of Knowlton at an annual and special meeting held on July 6, 2016.

In connection with the RTO, on July 12, 2016, LGC Capital consolidated its 46,575,500 issued and outstanding common shares on the basis of one common share for every 1.27795529 pre-consolidation shares issued and outstanding, resulting in LGC Capital having 36,445,314 common shares outstanding. At the same time, LGC Capital consolidated its 2,533,775 stock options vested and outstanding, at a ratio of 1.27795529 pre-consolidation shares to one (1) post-consolidation share resulting in LGC Capital having 1,982,679 stock options vested and outstanding. The exercise price of the options, while remaining in Canadian dollars, was adjusted by the consolidation ratio while the remaining life of the stock options remained unchanged.

At completion of the RTO, Leni Gas Cuba had 494,000,001 common shares outstanding, 95,000,000 vested and outstanding stock options, and 4,940,000 vested and outstanding warrants

At the closing of the RTO on July 12, 2016, LGC Capital issued an aggregate of 197,599,996 common shares to the shareholders of Leni Gas Cuba in exchange for their shares, on the basis of one LGC Capital share for every 2.5 shares of Leni Gas Cuba. As a result, LGC Capital acquired 100% of the shares of Leni Gas Cuba and there were on such date 234,045,310 common shares of the LGC Capital issued and outstanding, of which on completion of the RTO, 84.43% were held by the former shareholders of Leni Gas Cuba, while original shareholders of Knowlton held 15.57%.

On July 12, 2016, in conjunction with the RTO transaction, all of the 95,000,000 Leni Gas Cuba vested and outstanding stock options and 4,940,000 vested and outstanding warrants were cancelled and replaced respectively with 38,000,000 LGC Capital stock options and 1,976,000 LGC Capital warrants using the exchange ratio 2.5 to 1. The exercise price of the replacement LGC Capital options and warrants is in Canadian dollars, and was also adjusted by the exchange ratio while the remaining life of the stock options and warrants remained unchanged.

Board of Directors

On completion of the RTO, Mark Billings resigned as a director of LGC Capital and David Lenigas and Anthony Samaha, each of whom is a director of Leni Gas Cuba, joined the Board of Directors of LGC Capital, which was comprised of David Lenigas (Co-Chairman), Mazen Haddad (Co-Chairman), Anthony Samaha, Sébastien Bellefleur, Rafi Hazan and Guy Charette. Following completion of the RTO, the officers of LGC Capital were David Lenigas (Chief Executive Officer), Anthony Samaha (Chief Financial Officer) and Rafi Hazan (Secretary).

On December 22, 2016, Guy Charette resigned as a director of the Company and Mohammed Ghafari joined the Board of Directors.

Description of the Company's Business

Leni Gas Cuba has significant shareholdings and interests in established businesses operating in the Cuban travel, events, events management, TV and film production support, sport, import & export, energy and oil and gas exploration sectors.

Leni Gas Cuba's current investments are as follows:

- 40% of the In Cloud 9/Travelwelcome Group ("iC9"), a bespoke Cuban travel, events management, TV and film production assistance group.

- 13.76% of Melbana Energy Limited ("Melbana"), an Australian-listed Cuban oil and gas explorer which holds the highly-prospective onshore Block 9 east of Havana. The Company is Melbana's largest single shareholder. The Company's interest in Melbana was 14.76% as at September 30, 2016.

- 14% of Petro Australis Limited ("Petro Australis"), an Australian un-listed Cuban oil and gas explorer which has certain back-in rights to 40% of Melbana's Block 9 and is undertaking other oil and gas activities in Cuba.

- 50% interest in an imports and exports joint venture with Groombridge Trading Corporation, a Cuban-centric trading company.

- 50% interest in the Rushmans Lenigas Cuba Joint Venture for sport.

- 10.14% interest in The Cuba Mountain Coffee Company Ltd, a venture aiming to market Cuban coffee.

- Joint venture with Commercial Funded Solar Ltd to assess the potential of installing and operating renewable energy and hybrid power solutions (solar power, energy storage and integrated power management systems) in Cuba.

Subsequent Events

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) that maintained its interest of 10.14%.

During the period October 4, 2016 to January 17, 2017, the Company divested of 9,546,943 shares in Melbana at an average price of A$0.025 for total proceeds of A$242,000 ($243,000) which resulted in a reduction of the Company's interest in Melbana from 14.76% on September 30, 2016 to 13.76% on January 17, 2017.

Review of Investments

The current year has been a very active and productive time for the Company, with highlights being:

- strong growth from our Cuban centric international travel business, iC9, with revenues for 2016 rising strongly to $1.36 million, almost double the previous year. Post year end, there has been a strong influx of new business into 2017 with increased business seen from groups, and the private jet and private yacht sectors;

- significant boost in the value of our oil investments to $6.7 million as at September 30, 2016, driven primarily by the Company's 14.76% exposure to the significant 220% uplift in the share price of Australian listed Melbana, after they reported positive updates from their onshore Block 9 oil activities in Cuba, new oil assessments from their shallow water off-shore Beehive oil project off Western Australia and positive developments on their Tassie Shoals LNG/Methonal Project off-shore northern Australia;

- establishment of a 50/50 joint venture with international sports consulting and management group Rushmans for the development of Cuban Sport and the recent news that Rushmans has signed a landmark deal with Cuba to market Cuban TV sport content worldwide. In October 2016, Rushmans, the Company's 50/50 partner with respect to Cuban Sport, was granted the rights by RTVC, the Commercial Enterprise of Cuban Radio and Television, to co-produce and distribute the Cuban baseball series worldwide. The deal is for four seasons, covering the Olympic cycle as Cuba's leading players compete for their clubs and for places on the National team at Tokyo 2020;

- The Company entered the Cuban coffee sector through our 10% interest in Cuba Mountain Coffee Company ("CMC") and post year end, CMC announced it has now agreed the contract terms with the Cuban Government owned Asdrubel Lopez, the main processor of coffee in Guantanamo province, which is designed to improve the quality and quantity of coffee production in the region and give CMC the rights to market, sell and take a share of proceeds for the top grades of coffee produced from the 17 highest and best microregions. The project is scheduled to begin this year with the first coffee exported at the end of the year.

Cuban Travel Investment

The Company is pleased with the very solid trading performance and growth of iC9 a bespoke Cuban centric travel and concierge business, in which the Company holds a 40% interest. The Company has supported the development of iC9 with working capital and additional resources to leverage it's established (but previously under-capitalized) presence in Cuba for strong future growth. Even though we have seen iC9 double in size over the last 12 months, iC9 is now seeing even more growth and an influx of new business in to 2017 with increased business coming from groups, the private jet and private yacht sectors.

iC9 revenues for the year ended September 30, 2016 were $1,358,723 and a profit of $5,081.

Post year end, iC9 has moved the travel business in to bigger offices and is actively recruiting new specialist staff to handle to growing number of customers.

iC9 (www.incloud9.com) handles bespoke itinerary visitors to Cuba, providing them with multiple Cuban destinations such as specialist cigar tours, fly and deep sea fishing, scuba diving, sailing, horse riding, cycling and cultural tours. Many high net worth clients of inCloud9 are repeat business customers with some returning multiple times per year. In addition, iC9 operates bespoke travel and film, TV and music production services in Cuba. The iC9 Group of companies have a long established history in Cuba, having successfully operated in the country for in excess of ten years.

The Company continues to support iC9 with working capital, strategy and the implementation of management systems whilst IC9 grows to handle the increase in business and the opportunities presented in the strong growth of tourism to Cuba. Negotiations have also commenced to potential increase our holding in iC9.

Cuban Oil Investments

On February 29, 2016, Leni Gas Cuba agreed to a strategic investment in Australian listed Cuban oil explorer Melbana (previously MEO Australia Limited), executing a placing agreement to become the largest shareholder in Melbana with an initial 15.8% interest. This has been an excellent investment for the Company with the price rising significantly from its original entry level and the Company foresees significant upside from current levels as Melbana continues to develop its Block 9 oil licence in Cuba, it's Beehive off-shore oil project in Australia and its Tassie Shoals LNG/Methanol Project in Australia.

Melbana is uniquely prequalified as a foreign onshore and shallow water operator in Cuba and was awarded a 100% interest in the 2,380 square kilometres onshore oil block, Block 9 PSC in Cuba on September 3, 2015.

On August 15, 2016, Melbana provided a significant update on Cuba Block 9:

- Following on from the assessment of the resource potential of the Lower Sheet play, the Company's assessment of the resource potential of the remaining two plays, the Upper Sheet and Shallow Tertiary plays, is progressing as planned. Melbana expects to complete the preliminary stage of this assessment in the fourth quarter of 2016. These resources are in addition to the previously announced resource potential of the Lower Sheet play.

- Melbana has also commenced the work required to accelerate the potential for early drilling in Block 9 based on the significant resource potential identified in the Lower Sheet play. Melbana has identified the A2 Lead and follow up to the Marti-5 oil recovery as targets which could potentially be drilled on existing data. Melbana is aiming to finalise a drilling plan by the first quarter of 2017 for up to two wells in Block 9.

- Sherritt International Corporation plans this year to drill a high impact well on neighbouring Block 10 PSC which, if successful, will provide further validation of the significant prospectivity of Melbana's Block 9 PSC in Cuba.

- To support these activities, Melbana has opened a representative office in Havana and appointed former Cupet Exploration Director Dr. Rafael Tenreyro as its representative in Cuba.

On August 4, 2016, Melbana provided the following update on its 100% owned Tassie Shoals Project in Australia:

- Melbana's 100% owned strategic Tassie Shoal Projects (proposed for offshore Northern Australia) with its LNG Project received updated environmental approvals that extend the approvals period for the LNG Project to 2052, and increase the flexibility to process gas of varying qualities into LNG. Melbana has also stated that, under full development, the LNG Project has a design capacity of 3 million tonnes per year and the two Methanol plants would use 440 million cubic feet per day, or 4 trillion cubic feet of raw gas over 25 years.

On September 12, 2016, Melbana provided the following update on its 100% owned Beehive Oil Prospect in Australia:

- "Following conclusion of the recent successful seismic reprocessing and inversion project which has reinvigorated interest from major players, Melbana commenced a farm-out process to secure funding partners to progress the technical assessment of, and ultimately drill, the Beehive prospect. To date, four substantial companies have engaged in the process and are actively reviewing the technical data for WA-488-P. MEO is seeking responses from these potential farminees by the end of October 2016, but timing remains subject to ongoing market conditions and the addition of any new parties to the process."

On December 6, 2016, Melbana announced plans for the potential drilling of an accelerated initial program of up to two exploration wells in Block 9 are maturing, with a target of finalizing well proposals by Q1, 2017. Melbana's ambition to accelerate drilling in Block 9 in Cuba is consistent with the Cuban national oil company's announced strategy to accelerate oil exploration. Cuba's reported current production is around 45,000 barrels per day of oil and 3 million cubic meters (approximately 100 million standard cubic feet) per day of gas with international operators reporting a globally competitive operating cost in Cuba of approximately US$7.00 per barrel. Most of the oil and gas produced is currently used for electricity generation, the demand for which is expected to rise.

The Company's underlying interest in Block 9 in Cuba is significantly increased through the Company's 14% shareholding in Petro Australis, which holds a conditional 40% back-in option in to Block 9. 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, diluting the Company's interest in Petro Australis to 14.0%, as at September 30, 2016.

Cuban Sport Joint Venture

On April 26, 2016, the Company executed a 50/50 unincorporated joint venture with Rushmans ("the Rushmans JV"), to explore the opportunities available for international entities to participate in the development funding for Cuban sport.

Rushmans, with whom the Company has an existing introductory and advisory arrangement, has more than 25 years' experience in world sport and has advised and supported sports governing bodies and played a key role in planning and delivering a host of major events including European Championships in Football and World Cups in Cricket and Rugby. Rushmans has also acted as a strategic advisor to sport and corporations worldwide.

The Rushmans JV has been formed to help Cuban sport build upon its massive potential from social / grassroots to international competition level.

Cuba has a rich sporting heritage. Its baseball players, boxers and athletes have achieved international acclaim and status while the passion of its people for sport is reflected in the enthusiasm for the number of teams visiting to play exhibition games.

While baseball remains the national sport, football is growing exponentially and the nation's sports development programme helps identify and foster emerging talent with the potential to become world class performers in many sports.

However, Cuba's sports sector has been hit by the US embargo making it difficult to maintain required levels of investment enjoyed by other successful sporting nations.

The Rushmans JV has been granted an exclusive licence to use the Rushmans brand and intellectual property in respect to Cuban sporting opportunities, in consideration for LGC paying £100,000. LGC will fund any Rushmans JV projects accepted by LGC, as well as providing an initial £40,000 in working capital. The funding provided by LGC to the Rushmans JV will be first deducted from the joint venture revenue and repaid to LGC before any pro-rata distributions to the Rushman JV parties.

On September 19, 2016, the Company announced that Rushmans had signed a landmark deal with Cuba to market Cuban TV sport content worldwide.

Cuba is world renowned for baseball, boxing and other Olympic sports and has enjoyed considerable success in international events. In the first deal of its type, RTVC, the Commercial Enterprise of Audiovisual contents in Cuba, is making an active commitment to expose Cuban sport to a wider global audience.

In a ground breaking move, RTVC has contracted with Rushmans to distribute, market and co-produce Cuban sports content and events both live and recorded, from the country to the world.

Coverage of Cuba's National Baseball Series, boxing and other major international sports events to be staged in Cuba will now be available to international audiences.

Significantly for the Rushmans JV, on October 25, 2016, it was announced that Rushmans had been granted the rights by RTVC, the Commercial Enterprise of Cuban Radio and Television, to co-produce and distribute the Cuban baseball series worldwide.

The prestigious Cuba National Baseball Series, which has been the launch-pad for many stellar international sports careers, is available to a global audience for the first time. Many of the best Baseball players in the world are Cuban and the talent emanating from Cuba will now be seen on the world stage. The Second Phase and Playoffs of this season are to be distributed and commercialized by Rushmans and through their appointed agents Pitch International.

The rights cover around 60 matches between November 1st and January 24th and will feature iconic teams including reigning champions Ciego de Avila, Matanzas, which is coached by the legendary Victor Mesa, Granma and Villa Clara which features Freddy Asiel Alvarez, one of the league's hottest pitchers.

Rushmans has been granted the rights by RTVC, the Commercial Enterprise of Cuban Radio and Television. The deal is for four seasons, covering the Olympic cycle as Cuba's leading players compete for their clubs and for places on the National team at Tokyo 2020.

Coffee Investment

On June 20, 2016, LGC acquired a 10% interest in Cuba Mountain Coffee Company Ltd ("CMC") with the aim of assisting CMC's efforts in boosting Cuba's coffee production and exporting this valuable premium product to the world.

CMC is an English company founded in 2012 to promote, on a worldwide basis, single-origin gourmet coffee from Cuba's famous Guantanamo Region, both as green beans and also via CMC's own bespoke coffee brand, "Alma de Cuba".

In April 2016, CMC had announced it had entered into a Memorandum of Understanding with Nestlé Nespresso with the ambition to explore how to work together with the non-profit organization, TechnoServe, to boost production and quality in some of the Guantanamo micro-regions for the benefit of Cuban farmers and the protection of their environment, subject to the approval of the Cuban authorities and compliance with applicable laws.

On July 6, 2016, it was announced that CMC had achieved a milestone in its negotiations with the Cuban authorities and was hopeful that its coffee project in the Cuban province of Guantanamo would begin in 2017.

On January 17, 2017 CMC advised that it had now agreed the contract terms with the Cuban Government owned Asdrubel Lopez, the main processor of coffee in Guantanamo province, which is designed to improve the quality and quantity of coffee production in the region and give CMC the rights to market, sell and take a share of proceeds for the top grades of coffee produced from the 17 highest and best microregions. The project is scheduled to begin this year with the first coffee exported at the end of the year.

The project now also includes Asdrubal Lopez setting up a coffee roasting plant in their Guantanamo facility which will produce a brand of roasted coffee for the domestic and regional market. Discussions are also underway with a prominent Cuban music company to distribute the coffee through its Cuban retail outlets, along with a coffee shop offer which it is hoped will develop into the first Cuban coffee shop chain.

CMC's contract with the Government is now going through the approval processes with the Cuban agriculture and inward investment/export ministries.

Cuban Import & Export Joint Venture

The Company sees significant potential in its unincorporated 50/50 joint venture with Groombridge Trading Corporation ("GTC"), a Cuban centric trading company. The joint venture with GTC (the "GTC JV") is designed to expand GTC's business of supplying products, machinery and equipment to the fast growing Cuban tourism sector and exporting agricultural products from Cuba.

GTC, established in 2013, is a Canadian registered company that is approved to trade in Cuba by the Cuban Ministry of Foreign Trade and Investment and the Ministry of Agriculture and is further authorised to trade with other Cuban Government entities. GTC's President, Christopher Murphy, has considerable experience doing business in Cuba and has an extensive network of contacts and relationships in-country. He started doing business in Cuba in 1991, when he established and grew the sugar business of ED & F Man.

The GTC JV will assist GTC with its significant pipeline of opportunities for imports for the hotels and tourism sector. The GTC JV has an exclusive, first right of refusal to participate on a deal by deal, 50/50 basis, in any current and new transactions originated and operated by GTC. In addition to supporting the growth of GTC's current trading activities, the GTC JV will also work with GTC to develop a number of agricultural projects and initiatives currently under negotiation in country and assist with new export orders of agricultural products to Europe and Canada.

The Company has supported the development of the GTC JV with working capital for the development of its office and in-country activities in Cuba. It can take significant time to build the foundations with for key Cuban import contracts, and the Company believes the GTC JV is well positioned to leverage these benefits and crystalize its potential order pipeline in the forthcoming year and beyond.

Renewable Energy

On May 12, 2016, the Company announced it had entered into an agreement with UK Solar power and storage specialists, Commercial Funded Solar Ltd ("CFS"), to establish an unincorporated joint venture ("the CFS JV") to assess the potential for installing and operating renewable energy and hybrid power solutions (solar power, energy storage and integrated power management systems) in Cuba. During the Period, the CFS JV was only involved in minimal preliminary activities.

Cuba Professionals Inc.

In March 2016, the Company acquired a 49% interest in Cuba Professionals Inc. ("Cuba Professionals") a private company incorporated in Panama to provide human resources and consulting services in Cuba. Pursuant to the binding term sheet signed between Leni Gas Cuba and Cuba Professionals, the Company subscribed for new ordinary shares representing 49% of Cuba Professionals' equity in consideration of EUR180,000 ($265,573), payable in instalments over a nine month period. Specifically, the Company was to acquire its 49% interest on payment of an initial EUR50,000 ($73,614) on signing of the binding term sheet on March 1, 2016, followed by further scheduled payments of EUR50,000 ($73,770) on June 1, 2016, EUR50,000 ($73,770) on September 1, 2016, and EUR30,000 ($44,262) on December 31, 2016.

During the year ended September 30, 2016, the Company's share of losses amounted to £2,501 ($4,723) (2015 – nil) and the Company recorded an impairment of £36,869 ($69,628). Subsequently, on December 7, 2016, Leni Gas Cuba terminated its agreement with Cuba Professionals.

Outlook

The Company has invested significant capital in establishing the necessary infrastructure and support teams to build a strong foundation and presence for growing the business in Cuba. The Company has invested considerable working capital in associated companies and joint ventures backed by management with a wealth of experience and contacts in Cuba. The Company sees these investments well positioned for significant growth going forward.

Financial Information

Selected Annual Financial Information

The following table summarizes selected financial information of the LGC Capital for the fiscal year ended September 30, 2016 and for the period from incorporation on March 3, 2015 to September 30, 2015.

	As at September 30, 2016 $	**As at September 30, 2015 $**
Net loss	(7,861,526)	(97,682)
Basic and diluted net loss per share	(0.04)	(0.00)
Total assets	8,054,540	8,366,291

Fiscal year ended September 30, 2016 compared with the period ended September 30, 2015

LGC Capital reported a net loss of $7,861,526 or $0.04 per common share compared to a net loss of $97,682 or $nil per common share for the period from incorporation on March 3, 2015 to September 30, 2015. This was driven by both administration expense and listing and compliance expense recorded in the fiscal year ended September 30, 2016.

Administration expenses increased considerably in the 2016 fiscal year to $4,927,360 from $97,682 in 2015. The increase reflects the significant escalation in investment and operating activities in 2016 compared to the period ended September 30, 2015.

	2016 $	**2015 $**
Administration expenses:		
Salaries and other employee benefits	48,557	—
Directors' fees and consultancy	703,965	—
Legal fees	332,076	—
Regulatory expenses	831,245	12,204
Consultancy fees	1,200,725	52,200
Travel and business development	281,724	—
Investor / public relations	69,290	—
Office expenses	161,163	3,791
Professional fees	90,607	27,521
Stock-based compensation - warrants	91,579	—
Stock-based compensation – stock options	1,049,052	—
Other administration	67,377	1,966
Total	**4,927,360**	97,682

In connection with the RTO, LGC Capital did not meet the definition of a business, as defined by IFRS 3 (Revised). Reverse asset acquisitions whereby the accounting acquiree/legal acquirer, LGC Capital, is not a business, as defined under IFRS 3 (Revised), include an estimated listing expense which is considered a share-based payment. This share-based payment is measured based on the fair value of the shares that are either actually issued by the legal acquirer (i.e. LGC Capital) or deemed to be issued by the accounting acquirer (i.e. Leni Gas Cuba), whichever basis is considered more reliable, since the fair value of the listing services received cannot be reliably measured.

Upon RTO, the net liabilities assumed of LGC Capital are summarized as follows:

	July 12, 2016 $
Net liabilities assumed: Cash	 204,586
Accounts receivable	19,033
Accounts payable and accrued liabilities	(284,949)
Net liabilities assumed	**(61,330)**
Consideration paid:	
Share capital	2,431,976
Excess of consideration over net liabilities assumed	(2,493,306)
	(61,330)

The share capital represents the estimated fair value of 91,100,083 shares deemed to be issued by Leni Gas Cuba to LGC shareholders for 15.57% of the combined entity calculated at $0.0267 per share. Excess of consideration over net liabilities assumed represents the difference between the estimated fair value of the Leni Gas Cuba shares deemed to be issued to LGC Capital shareholders less the net fair value of the liabilities of LGC Capital acquired.

As a result, the excess of consideration over net liabilities assumed of $2,493,306, albeit non-cash, together with transaction costs and professional fees associated with the RTO of $321,425 for a total of $2,814,731 have been recorded as listing expenses.

	2016 $	**2015 $**
Listing and compliance expenses:		
Legal fees	321,425	—
Excess of consideration over net liabilities assumed	2,493,306	—
Total	**2,814,731**	—

During the year ended September 30, 2016, the Company recorded an impairment of $69,628 (2015 – Nil) in respect to the investment in Cuba Professionals in the amount of £36,869 ($69,628).

During the year ended September 30, 2016, the Company had other comprehensive income of $3,166,64 (2015 – $10,619 loss), comprising an increase in the value of available for sale investments of $4,586,365 (2015 – Nil) and foreign exchange loss on translation of foreign subsidiaries of $1,419,501 (2015 - 10,619). The increase in the value of available for sale investments includes an A$3,095,764 ($3,641,549) increase in the value of the Company's investment in Melbana, driven by the 220% increase in share price to A$0.032 as at September 30, 2016 from the Company's acquisition price of A$0.01. Based on the August 2016 equity raising price, the Company estimates that, at September 30, 2016, 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).

Summary of Quarterly Results

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

Fiscal Quarter ended	Total Revenue $	Net loss for the period $	Basic and diluted loss per share $	Total assets $
September 30, 2016	-	(3,405,895)	(0.01)	8,054,540
June 30, 2016	-	(1,164,669)	(0.01)	5,744,588
March 31, 2016	-	(748,275)	(0.01)	6,589,634
December 31, 2015	-	(2,542,687)	(0.01)	7,226,659
September 30, 2015	-	(97,682)	(0.00)	8,366,291
June 30, 2015	-	-	(0.00)	232,164
March 31, 2015	-	-	(0.00)	-

The Company has not paid any dividends this year. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors of the Company and will depend on the Company's financial position, operating results and capital requirements at the time as well as such other factors that the Board of Directors may consider relevant.

Fourth Quarter ended September 30, 2016 compared with the fourth quarter ended September 30, 2015

The Company reported a net loss for the quarter ended September 30, 2016 of $3,405,895 compared to a net loss of $97,682 for the quarter ended September 30, 2015, the increase being primarily related to the RTO described above.

Operating expenses for the quarter ended September 30, 2016 amounted to $3,397,547, compared to $97,682 for the quarter ended September 30, 2015. These expenses consisted of administration expenses of $864,495 (2015 - $97,682), legal fees associated with the reverse takeover transaction of $39,746 (2015 – Nil), and the excess of consideration over net liabilities assumed related to the reverse takeover transaction of $2,493,306 (2015 – Nil). Share of net losses from associates and joint ventures recorded during the quarter amounted to $8,013 and $15,295 respectively (2015 – Nil and Nil). Foreign exchange gain for the quarter amounted to $14,960 (2015 – Nil).

Cash Flows

Cash flows for the year ended September 30, 2016 compared with the period ended September 30, 2015

The Company's cash flows from operating, investing and financing activities, as presented in the statement of cash flows, are summarized in the following table:

	Year 2016 $	Period 2015 $
Cash flows from operating activities	(4,436,527)	(138,276)
Cash flows from investing activities	(1,463,271)	(1,677,896)
Cash flows from financing activities	381,629	8,399,794
(Decrease)/Increase in cash	(5,518,169)	6,583,622
Net foreign exchange differences	(568,519)	(10,797)
Cash, beginning of year/period	6,572,825	-
Cash, end of year/period	486,137	6,572,825

As at September 30, 2016, the Company had cash of $486,137 compared to $6,572,825 as at September 30, 2015. The decrease in cash of $5,518,169 during the year ended September 30, 2016 reflects the investing cash outflows of $1,463,271, which included $1,360,280 in respect of the acquisition of the interest in Melbana, and a significant increase in cash outflows from administration and listing expenses in the amount of $4,436,526.

The Company raised $381,629, net of expenses, through a share placement in November 2015 in conjunction with Leni Gas Cuba's previous listing on the ISDX Growth Market in London.

There has been no change with respect to the overall capital risk management strategy during the year ended September 30, 2016.

Cash flows for the three months ended September 30, 2016 compared with the three months ended September 30, 2015

	Fourth Quarter 2016 $	**Fourth Quarter 2015 $**
Cash flows from operating activities	(1,396,316)	(138,276)
Cash flows from investing activities	204,586	(1,677,896)
Cash flows from financing activities	-	8,399,794
(Decrease)/Increase in cash	(1,191,730)	6,583,622
Net foreign exchange differences	36,629	(10,797)
Cash, beginning of period	1,641,238	-
Cash, end of period	486,137	6,572,825

Cash at the beginning of the fourth quarter 2016 was $1,641,238. The Company had a cash position of $486,137 at the end of the quarter. This decrease is due primarily to net cash outflows associated with operating activities described above for the RTO.

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.

Equity raisings by the Leni Gas Cuba since incorporation on March 3, 2015 to July 12, 2016 prior to the RTO are as follows:

Date	**Ordinary Shares Issued**	**Price $**	**Funds Raised $**
March 3, 2015	1	$0.00	$0
July 15, 2015	250,000,000	$0.00	$50,520
July 20, 2015	30,000,000	$0.02	$607,020
July 24, 2015	210,000,000	$0.04	$8,509,200
November 2, 2015	4,000,000	$0.10	$404,020
Total	**494,000,001**		**$9,570,760**

It is noted that at the closing of the RTO on July 12, 2016, LGC Capital issued an aggregate of 197,599,996 common shares to the shareholders of Leni Gas Cuba in exchange for their 494,000,001 shares in Leni Gas Cuba. As a result, LGC Capital acquired 100% of the 494,000,001 issued shares of Leni Gas Cuba and there are 234,045,328 common shares of the LGC Capital issued and outstanding as at September 30, 2016.

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 September 30, 2016, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the year/period ended September 30, 2016 and 2015, the Company recorded the following compensation for key management personnel and the Board of Directors:

	2016 $	**2015 $**
Directors' fees	643,049	—
Stock-based compensation	665,281	—
Total	**1,308,330**	**—**

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 year ended September 30, 2016, the Company purchased travel services from its associate, InCloud9. During the year ended September 30, 2016, the total amount charged to administration expenses in respect of such services amounted to $79,227 [2015 – nil].

(b) During the year ended September 30, 2016, the Company incurred expenditures related to the provision of serviced office facilities from a company in which a former director of the Company is a director. For the year ended September 30, 2016, the total amount charged to administration expenses in respect of such related party services amounted to $37,500 [2015 – nil].

(c) During the year ended September 30, 2016, 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 year ended September 30, 2016, the total amount for such services was $60,916, which was recorded in directors fees [2015 – nil]. As at September 30, 2016, an amount of $14,810 [September 30, 2015 – nil] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Capitalization

As at January 30, 2017 there were 234,045,310 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 38,982,679 common shares issued and outstanding, and warrants in respect of 1,976,000 common shares issued and outstanding. On December 7, 2017, LGC Capital and Jeremy Edelman entered into an agreement to cancel 2,000,000 options held by Mr. Edelman.

The stock options have weighted average exercise prices ranging from $0.09 to $0.93 per share and expiry dates ranging from November 1, 2018 to December 31, 2020. The warrants have an exercise price of $0.23 per share and an expiry date of November 2, 2022.

Commitments

As at September 30, 2016, 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.

The pronouncements issued but not yet effective for the year ended September 30, 2016 are disclosed under note 4 to the consolidated financial statements for the year ended September 30, 2016.

Risk Factors and Risk Management

Risk Factors

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

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

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

(a) To date, LGC Capital has not paid any dividend;

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

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

(d) there can be no assurance that an active trading market in LGC Capital's securities will be established and sustained. The market price for LGC Capital's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of LGC Capital. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies;

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

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

(g) the Company will compete with many companies that have substantially greater financial and technical resources than the Company for the recruitment and retention of qualified personnel; and

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

Financial instruments

General objectives, policies and procedures

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

LGC Capital's Board of Directors have overall responsibility for the determination of the Company's risk management objectives and operating processes that ensure effective implementation of the policies set out below. LGC Capital's Board of Directors receive monthly reports through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies they set.

Principles of risk management

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

LGC Capital is exposed through its activities to the following risks:

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

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

Credit risk

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

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

The Company is also exposed to credit risk from its loans to associates and joint ventures. The Company, through its significant influence over its associates and joint ventures, closely monitors the activities and financial information.

Liquidity risk

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

As at September 30, 2016, the Company had a total of $486,317 in cash. Accounts payable and accrued liabilities have contractual maturities of 30 days or less and are subject to normal trade terms, and amounts due to related parties are due on demand.

Market risk analysis

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

Foreign exchange risk

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

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

Other Risks

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