LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2017

As at January 29, 2018

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The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of LGC Capital Ltd. ("LGC Capital" or the "Company") covers the year ended September 30, 2017. It should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended September 30, 2017 and 2016.

The audited consolidated financial statements for the years ended September 30, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted. Certain dollar amounts in this MD&A are expressed in Australian dollars ("AUD").

Forward-Looking Statements

Certain of the information contained in this MD&A may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate", "seek", "forecast" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the heading "Risk Factors and Risk Management" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

Overview

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

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

On July 12, 2016, Leni Gas Cuba Limited (“Leni Gas Cuba”), completed a reverse asset acquisition and takeover (“RTO”) of LGC Capital (formerly Knowlton Capital Inc.). On completion of the RTO, Knowlton Capital Inc. changed its name to LGC Capital Ltd. As a result of the RTO, for accounting purposes, Leni Gas Cuba, the legal acquiree, is the accounting acquirer of LGC Capital. 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.

LGC Capital, and its wholly owned subsidiaries Leni Gas Cuba, LGC Capital EU OU (“LGC Estonia”) and Leni Gas Holdings Spain, SLU (“Leni Gas Spain”), are collectively referred to as the “Company” in this MD&A.

Description of the Company’s Business

LGC Capital is an investment holding company, with the prime objective of becoming a diversified business group with core business divisions that provide shareholders with exposure to a diverse range of high growth businesses, products and services. Towards its growth strategy, the Company is currently increasing its investment footprint in the fast growing and globally expanding legalized Medicinal Cannabis sector, with the exception of investments in businesses operating in the United States.

The Company’s aim is to be actively involved and invested in as many jurisdictions globally that allow legal cultivation and production of medical cannabis products.

LGC Capital’s significant investments and activities, as at January 29, 2018, are as follows:

Medical Cannabis Sector:

The Company is on an aggressive acquisition path to acquire and invest in significant medical cannabis businesses around the world, such that LGC Capital is ultimately aiming to have one of the broadest global footprints in the sector. LGC Capital’s focus is to be actively involved and constantly seeking new investment opportunities on numerous continents, as the world gradually enacts new medical cannabis legislation.

Canada:

- Tricho-Med Corporation (doing business as “AAA Trichomes”), whose objective is to establish itself as one of the largest growing operations of medical cannabis in Quebec, Canada. LGC Capital has provided AAA Trichomes with a four-year secured convertible loan agreement of $4,000,000 which will convert into a 49% equity interest in AAA Trichomes on it obtaining a license to produce medical cannabis from the relevant regulatory authorities.

Jamaica:

- On January 26, 2018, LGC Capital signed a Letter of Intent with rapidly-developing Jamaican medical cannabis company Global Canna Labs Limited ("Global Canna Labs") and one of its major shareholders for a strategic investment in the Jamaican cannabis market as part of LGC Capital's ongoing international expansion. The Letter of Intent provides that LGC Capital will subscribe for a $2,500,000 secured debenture, to be disbursed in tranches in accordance with the achievement of milestones in Global Canna Labs' business plan, which debenture will be convertible into an initial 30% strategic interest in Global Canna Labs, and that LGC Capital will also acquire a 5% royalty on Global Canna Labs' net sales for $2 million, payable in shares of LGC Capital. This transaction is subject to satisfactory due diligence and to regulatory approval, including that of the TSX Venture Exchange.

Australia:

- LGC Capital currently owns a 11.91% interest in licenced Australian medical cannabis company Habi Pharma Pty Ltd (doing business as "Little Green Pharma"), which is licenced by the Australian Government to commercially produce medical cannabis for the Australian market, with planting having commenced in December 2017. On January 22, 2018, the Company announced that it had entered into a Binding Term Sheet with Little Green Pharma to increase the Company's interest from 11.91% to 14.99%. Closing of this latest transaction with Little Green Pharma is subject to the parties entering into a definitive subscription agreement and to standard closing conditions and is subject to regulatory approval, including that of the TSX Venture Exchange.

Africa:

- LGC Capital has a 50/50 joint venture with AfriAg (Pty) Ltd ("AfriAg"), to develop legal medical cannabis in the southern African region. This JV has the exclusive right to acquire a 60% beneficial interest in South Africa based House of Hemp (Pty) Ltd ("House of Hemp"), subject to completion of satisfactory due diligence, completion of standard acquisition and shareholder documentation and TSX Venture Exchange approvals. House of Hemp has a long term lease on 424,000 square feet of fully-operational glasshouses and support facilities at Dube TradePort AgriZone Block "D" located at Durban's International Airport in South Africa. Due diligence is still underway on the House of Hemp transaction. LGC Capital and AfriAg are also reviewing a number of other investment opportunities in the medical cannabis sector in southern Africa.

Europe:

- Pursuant to a Binding Letter of Intent with Creso Pharma Limited ("Cresco"), and Baltic Beer Company Ltd (UK) ("Baltic Beer"), the Company, Cresco and Baltic Beer will each have a one-third interest in the joint venture company CLV Frontier Brands Pty Ltd ("CLV"). CLV is developing and intends to manufacture and market a bespoke portfolio of cannabis and hemp-derived alcoholic and non-alcoholic beverages containing various ingredients, seeds, extracts and terpenes from hemp and cannabis plants. Cresco is a Swiss-based and Australian-listed pharmaceutical company, and Baltic Beer is a UK based company and is the producer of the award winning Viru Beer in Estonia. The Company's involvement in the joint venture is subject to the approval of the TSX Venture Exchange.

Cannabis Tech:

- The Company plans to utilise the latest blockchain technologies to develop an efficient global marketplace technology platform for a reliable and verifiable purchase and payment system and use Internet of Things ("IOT") technologies to track cannabis product shipments so as to provide assurance to consumers regarding the sourcing and quality of products.

Merchant Banking:

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

Further to the Company's establishment of a merchant banking division, the Company entered into a Letter of Intent with UK based fire safety and security company Etea Sicurezza Group Ltd ("Etea Sicurezza") for a potential acquisition of approximately 20% of Etea Sicurezza by the Company. The proposed transaction is subject to a number of conditions, including completion of due diligence reviews by the Company, the negotiation and execution of a definitive agreement in respect of the transaction, and approval by the TSX Venture Exchange. The Company has provided a guarantee in respect of notes issued by Etea Sicurezza with a principal of USD$1,000,000 and will receive a 3% equity interest in Etea Sicurezza in consideration for providing this guarantee.

Listed Securities:

- 1.49% of Melbana Energy Limited ("Melbana"), an Australian-listed oil and gas explorer.

Capital Raising

On August 18, 2017 the Company announced that it had received conditional approval from the TSX Venture Exchange for a private placement of a maximum of 30,000,000 units at a price of $0.10 per unit, for maximum gross proceeds to LGC Capital of $3,000,000.

On September 12, 2017, the Company completed the private placement by issuing 30,000,000 units at a price of $0.10, for gross proceeds of $3,000,000, all of which was allocated to common shares. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.15 for a period of one year from the closing date. In the event that the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for a period of 20 consecutive trading days is at least $0.20, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants. As a result, using a valuation model based on stochastic simulations at the date of grant, no value has been allocated to the warrants

Concurrently, the Company issued a total of 992,000 broker compensation warrants, each entitling its holder to purchase one common share of the Company at a price of $0.10 per share for a period of six months from the closing date. The total fair value of broker compensation warrants was $74,916, allocated to contributed surplus and deducted from share capital.

In connection with this private placement, in addition to the broker compensation warrants, the Company incurred professional fees and expenses of $128,086 all of which has also been allocated and deducted from share capital.

LGC Capital’s senior management and directors subscribed for an aggregate of 4,799,740 units ($479,974).

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

Management and Board Changes

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

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

In December 2016, Mr. Mohammed Ghafari was appointed to the Board of Directors following the resignation of Mr. Guy Charette. Mr. Ghafari, who is a resident of Pointe-Claire, Québec, Canada, is the Executive Officer of MEEM Solutions Inc., a Canadian-based management consulting company focused on delivering business strategies and market development.

In September 2017, Mr. Sébastien Bellefleur resigned as a Director of the Company.

Subsequent Event Investing & Financing Activities

Capital Raising

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

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

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

The securities issued at the first closing are subject to a “hold period” which expires on April 2, 2018.

At the second closing, the Company paid a cash commission of $37,500 and issued 250,000 “broker warrants” to one person, representing 5% of the proceeds from the closing and 5% of the number of units issued at the closing, respectively. Each of the “broker warrants” entitles its holder to purchase one additional unit at a price of $0.15 for a period of 18 months from the closing date of the private placement.

The securities issued at the second closing are subject to a “hold period” which expires on April 8, 2018.

Investment Agreement for US$2,340,000 loan

On January 2, 2018, the Company announced that it had entered into an Investment Agreement with international investors YA II PN, Ltd and Cuart Investments PCC Limited pursuant to which they will loan LGC Capital an aggregate amount of US$2,340,000 (approximately $2,940,000). LGC Capital intends to use the net proceeds from the loan to further advance its core business divisions on its global platform.

The loan will have a term of twelve months and bear interest at an annual rate of 12%. LGC Capital will pay the interest on the loan in cash on a quarterly basis.

The principal amount of the loan will be convertible into LGC Capital common shares at the option of the lenders at a price per share equal to the lesser of (i) US $0.538 ($0.675), representing the US dollar equivalent of 135% of the closing price of LGC Capital’s shares on the TSX Venture Exchange on December 29, 2017 ($0.50), and (ii) 90% percent of the lowest daily volume weighted average trading price of LGC Capital's shares during the five trading days immediately preceding the date of a conversion notice from the lenders, subject to a minimum conversion price of $0.50.

Upon each advance of funds under the Investment Agreement, LGC Capital will issue common share purchase warrants to the lenders in an amount equal to 25% of the dollar amount of the advance divided by $0.4465, being the volume weighted average trading price of LGC Capital's shares during the five trading days ended December 29, 2017. Each warrant will entitle its holder to acquire one common share of LGC Capital at a price of $0.70, representing 140% of LGC Capital's closing price on December 29, 2017, for a period of one year from the date of issuance.

In connection with the Investment Agreement, LGC Capital will pay a structuring fee to RiverFort Global Capital Ltd. of London, England by issuing shares to it in an amount equal to 12.5% of the dollar amount of any advance by YA II PN, Ltd, less the amount of the due diligence fee referred to below, divided by $0.675, representing 135% of the closing price of LGC Capital’s shares on the TSX Venture Exchange on December 29, 2017 ($0.50). LGC Capital will also pay a cash due diligence fee to RiverFort Global Capital Ltd. in an amount of £10,000 (approximately $17,000).

Closing of the transaction and the advance of funds to LGC Capital is expected to take place shortly, subject to standard closing conditions. The Investment Agreement, including all issuances of shares by LGC Capital pursuant thereto, is subject to the approval of the TSX Venture Exchange. Any securities issued by LGC Capital at the closing of the transaction, as well as any shares issued upon conversion of the loan or upon the exercise of warrants, will be subject to restrictions on resale for a period of four months from the closing date of the transaction. LGC Capital is at arm's length from the lenders and RiverFort Global Capital Ltd.

AAA Trichomes (Montreal, Quebec, Canada)

On October 31, 2017, the Company announced that it had signed an option with Quebec based Tricho-Med Corporation, doing business as AAA Trichomes ("AAA Trichomes") to acquire a 49% interest in AAA Trichomes plus a 5% royalty on its net sales. AAA Trichomes is planning to build a new cannabis processing facility in the Province of Quebec.

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

On December 18, 2017, the Company announced that the TSX Venture Exchange had approved LGC's proposed transaction with AAA Trichomes.

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

Global Canna Labs (Jamaica)

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

The transaction is comprised of two parts:

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

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

The LOI provides that LGC Capital will carry out an accelerated due diligence review, to be completed by February 15, 2018, and that upon successful completion of due diligence, the parties will enter into definitive agreements by February 25, 2018.

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

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

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

Little Green Pharma (Australia)

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

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

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

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

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

On January 22, 2018, the Company announced that it had entered into a Binding Term Sheet with Little Green Pharma to increase the Company’s interest from 11.91% to 14.99%. Little Green Pharma will issue 2,283,495 additional shares to the Company at a deemed issue price of AUD$1.16398 per share for a total consideration of approximately AUD$2,657,950. The Company will pay for the shares by issuing 5,000,000 LGC Capital shares to Little Green Pharma at a deemed issue price of $0.53 per share, representing the closing price of LGC Capital’s shares on the TSX Venture Exchange on January 19, 2018, for a total consideration of $2,650,000, equivalent to AUD$2,657,950 based on the Bank of Canada exchange rate on January 19, 2018. The Binding Term Sheet also contains an undertaking by the Company to participate in Little Green Pharma’s next capital raise, by June 30, 2018, to the extent required to maintain LGC Capital's 14.99% shareholding in Little Green Pharma. Closing of the transaction with Little Green Pharma is subject to the parties entering into a definitive subscription agreement and to standard closing conditions. The transaction is also subject to regulatory approval, including that of the TSX Venture Exchange.

The proposed increase to 14.99% will take the Company's interest in Little Green Pharma to just below the 15% threshold requiring approval from the Australian Foreign Investment Review Board.

Joint Venture with Creso Pharma and Baltic Beer (Europe)

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

On November 29, 2017, the Company announced it had signed a Binding Letter of Intent with Creso and Baltic Beer Company Ltd (UK) ("Baltic Beer") to develop and market a bespoke portfolio of cannabis- and hemp-derived alcoholic and non-alcoholic beverages containing various ingredients, seeds, extracts and terpenes from hemp and cannabis plants. The beverages will not contain THC or CBD or any other cannabinoids. Baltic Beer is the producer of the multi-award winning Viru Beer in Estonia.

On January 11, 2018, the Company announced the launch of the joint venture company CLV Frontier Brands Pty Ltd ("CLV"), in which the Company, Cresco and Baltic Beer will each have a one-third interest. The Company's involvement in the joint venture is subject to the approval of the TSX Venture Exchange. CLV is targeting to ship the first test batch of an initial four-beer range containing cannabis-derived terpenes in April / May 2018, with commercial sales expected to commence in June / July 2018.

Etea Sicurezza Group (Merchant Banking)

On October 10, 2017, the Company announced that it has formally established a merchant banking division, which will pursue global high-yield investment opportunities. As part of this announcement, the Company announced that it had entered into an agreement with a Toronto-based investment firm whereby LGC Capital will guarantee repayment by Etea Sicurezza Group Ltd ("Etea Sicurezza") of notes issued by Etea Sicurezza in an aggregate principal amount of US$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 guarantee, Etea Sicurezza will issue shares to LGC Capital representing 3% of its outstanding shares and pay an annual cash fee to LGC Capital.

Based in London, England, Etea Sicurezza (www.eteasicurezzagroup.com) is a private company which specializes in fire safety and security by providing products and services to international companies such as L'Oreal, Coca Cola, BASF, Doha Metro and others. Etea Sicurezza was founded in 1998 and is now a global leader in the field of high-tech safety with offices in seven countries and agents in 20 countries. Etea Sicurezza operates as an EPC (Engineering, Procurement and Construction) contractor implementing safety systems, and provides proprietary and patented technologies that are customized and fully compliant with international standards.

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

The letter of intent provides that LGC Capital will incorporate a new, wholly-owned subsidiary corporation (“Holdco”) which will issue 11,280,000 shares to LGC Capital; Holdco will acquire 87.5% of the issued and outstanding shares of Etea Sicurezza from its principal shareholders in exchange for an aggregate of 45,120,000 Holdco shares and will acquire the balance of 12.5% of the issued and outstanding shares of Etea Sicurezza from a minority shareholder for cash, to be funded by LGC Capital. Holdco will effect a private placement or other similar financing of 1,200,000 shares at a price of $0.83333 per share for gross proceeds of $1,000,000. The minority Etea Sicurezza shareholder will undertake to subscribe for common shares of LGC Capital by way of private placement in an amount equal to the amount it receives for its 12.5% interest at a price per share equal to the then-market price of LGC Capital's shares.

The letter of intent provides that at the closing of the proposed transaction, Holdco will have 60,000,000 shares issued and outstanding, of which, among others, the current Etea Sicurezza shareholders will hold an aggregate of approximately 75%, LGC Capital will hold approximately 19%, and new investors will hold an aggregate of 2%. Holdco will own all of the issued and outstanding shares of Etea Sicurezza and have cash of approximately $1,000,000.

The letter of intent provides that at the closing of the proposed transaction, the Board of Directors of Holdco will consist of three nominees of Etea Sicurezza and two nominees of LGC Capital, of whom at least a majority will be independent directors within the meaning of Canadian securities regulations.

The proposed transaction is subject to a number of conditions, including completion of due diligence reviews by LGC Capital and Etea Sicurezza, to their respective satisfaction; the absence of any material adverse change with respect to Etea Sicurezza; the negotiation and execution by LGC Capital and Etea Sicurezza of a definitive agreement in respect of the transaction; receipt of all corporate approvals, including approval of the Boards of Directors of LGC Capital and Etea Sicurezza; and receipt of all other necessary regulatory approvals, including that of the TSX Venture Exchange.

Initiative to Establish Global Cannabis Blockchain Platform (Cannabis Tech)

On January 16, 2018, the Company announced that it is to launch a new subsidiary company to specifically engage in the development of an efficient global marketplace technology platform designed to help producers, value-added processors and retailers in selling, and consumers in accessing, cannabis product. The Company will focus on providing a traceable and verifiable platform, thereby enabling producers to have an efficient payment mechanism that replaces current *ad hoc* cash-based payments and that will be fully compliant with all relevant jurisdictional regulations. The platform will utilize the latest blockchain technologies to create a reliable and verifiable purchase and payment system and use Internet of Things (IOT) technologies to track cannabis product shipments so as to provide assurance to consumers regarding the sourcing and quality of products.

Review of Activities

AfriAg Joint Venture and House of Hemp

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

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

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

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

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

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

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

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

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

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

In connection with this exclusive option, the Company incurred an expense of $335,624 for the year ended September 30, 2017 [2016 – nil]. During the period from October 1, 2017 to January 29, 2018, the Company incurred expenditures amounting to ZAR1,098,127 ($104,169) to continue the House of Hemp option.

Oil & Gas Investments

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

Melbana Energy

During the reporting period and subsequent, the Company has taken the opportunity to lock in gains on its investment in Australian listed oil and gas explorer Melbana (previously MEO Australia Limited) through on-market sales. Melbana Energy is an Australian independent oil and gas company that has a portfolio of exploration, appraisal and development stage opportunities primary in Australia and New Zealand.

From an initial holding of 140,716,573, the Company has divested to date a total of 115,954,355 shares at an average of AUD$0.014 per share, which represents a positive return on its entrance price of AUD$0.01 per share.

During the year ended September 30, 2017, the Company divested 68,814,234 shares in Melbana, at average prices of AUD$0.015, for total proceeds of AUD$1,031,601 ($1,026,829), which resulted in a reduction of the Company's interest in Melbana from 14.76% as at September 30, 2016 to 4.81% as at September 30, 2017. As a result, during the year ended September 30, 2017, the Company recognized a gain on disposal of shares of Melbana of AUD$343,458 ($444,705), recorded in other comprehensive (loss) income which was subsequently reclassified to net loss.

The closing share price of Melbana as at September 30, 2017 was AUD$0.009 and during the year then ended the decrease in fair value of the Company's investment amounted to AUD$3,167,667 ($3,220,214) [2016 – increase of AUD$2,814,331 ($3,641,550)].

During the period October 1, 2017 to January 29, 2017, the Company divested of 47,140,121 shares in Melbana at an average price of AUD$0.0129 for total proceeds of AUD$612,378 ($596,348) which resulted in a reduction of the Company's interest in Melbana from 4.81% on September 30, 2017 to 1.49% as at January 29, 2017.

Petro Australis

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

The Company made its investment in Petro Australis principally on the basis of Petro Australis's conditional 40% back-in option into the Block 9 oil project in Cuba, held 100% by Melbana. On

October 30, 2017, Melbana announced that Petro Australis had failed to achieve pre-qualification to enable a timely application to Cuban regulatory authorities for its acquisition of 40% in the Block 9 PSC. Melbana considers that the time for pre-qualification had passed and that Petro Australis's entitlement to any interest in Block 9 has lapsed. Pre-qualification by Petro Australis required it securing significant funding. Petro Australis contests Melbana's right to terminate its right to acquire a 40% interest in the Block 9 PSC, and has initiated an arbitration process.

On September 22, 2017, the Board of Directors decided to exit all of the Company's investments with interests in Cuba. As at September 30, 2017, the Company's interest in Petro Australis was 12.1% [2016 – 14.0%]. Prior to September 30, 2017, the Company had sought interest in the acquisition of its interest in Petro Australis, and as at year end, had received a non-binding offer of AUD$50,000, which was accepted after year-end. As a result, as at September 30, 2017, the Company recorded a decrease of fair value of its investment in Petro Australis of AUD$548,083 ($820,716) [2016 – gains of AUD$500,296 ($944,816)], in other comprehensive (loss) income and also an impairment of AUD$1,594,250 ($1,248,417) [2016 – nil], in other comprehensive loss which was subsequently reclassified to net loss.

Cuban Travel Investment

During the reporting period, the Company held a 40% interest in the bespoke Cuban centric travel and concierge business In Cloud 9 ("iC9"), which was subsequently divested in November 2017, following the Board decision on September 22, 2017 to exit all of the Company's investments with interests in Cuba.

In September 2015, the Company acquired a 40% interest in Travelwelcome Limited, a private limited company incorporated in England and Wales, for a total consideration of US$60,000 ($78,568). In November 2015, Travelwelcome Ltd agreed to join forces with the InCloud9 S.A. and InCloud9 OU (collectively "InCloud9 Group"), which operates a bespoke Cuban travel and concierge business. As a result, the Company acquired a 40% interest in the InCloud9 Group.

The Company supported the development of iC9 with working capital and managerial resources to support its development.

iC9 revenues for the year ended September 30, 2017 were $1,892,697 [2016 - $1,358,723] and a loss of $16,159 [2016 - $5,081]. While iC9 achieved significant revenue growth in 2017 over 2016, it has experienced a significantly difficult operating environment following the tightening of travel by US citizens to Cuba, particularly from June 2017.

During the year ended September 30, 2017, the Company's share of loss amounted to ($6,464) [2016 – ($2,321)].

On September 22, 2017, the Board of Directors decided to exit all of the Company's investments with interests in Cuba. Consequently, as at September 30, 2017, the Company recorded an impairment, in net loss, on its investment in InCloud9 Group of £42,499 ($69,719) [2016 – nil] and has written off the balances of all loans provided by the Company to the InCloud9 Group amounting to £164,203 ($269,368) [2016 –nil] [note 11]. 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.

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.

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 for four seasons. However, no revenues were generated for the Rushmans JV from the granting of these Cuban baseball rights during the reporting period.

During the year ended September 30, 2017, the Company's share of losses amounted to £33,882 ($56,980) [2016 – £16,190 ($30,575)].

On September 22, 2017 the Board of Directors decided to exit all of the Company's investments with interests in Cuba and the Company terminated the Rushmans JV on September 26, 2017. Further, on November 14, 2017, the Company executed an agreement with Rushmans confirming the termination of the Rushmans JV and the write-off of the working capital loan provided by the Company to the Rushmans JV. Consequently, as at September 30, 2017, the Company recognized an impairment in net loss related to its investments in and loans to the Rushmans JV amounting to £49,928 ($81,905) and £100,144 ($164,282) respectively [2016 – $nil and $nil respectively].

Coffee Investment

In June 2016 the Company acquired a total of 273 ordinary shares at £100 per share in The Cuba Mountain Coffee Company Limited ("Cuba Mountain") for a total cash consideration of £27,300 ($50,213), with the aim of assisting Cuba Mountain's efforts in boosting Cuba's coffee production and exporting this valuable premium product to the world. The Company's shareholding represented on acquisition a 10.14% interest in Cuba Mountain.

In December 2016 the Company participated in a rights issue by Cuba Mountain and acquired a further 112 ordinary shares at £100 per share for an investment of £11,200 ($18,552).

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

On September 22, 2017, the Board of Directors decided to exit all of the Company's investments with interests in Cuba, however on October 2, 2017 the Company was advised that Cuba Mountain was insolvent and the directors of Cuba Mountain resolved to appoint a liquidator. Consequently, the Company terminated all agreements with Cuba Mountain and, as at September 30, 2017, recorded an impairment in other comprehensive (loss) income of £38,500 ($63,158) [2016 – nil], which was subsequently reclassified to net loss.

Cuban Import & Export Joint Venture

In November 2016, the Company entered into a binding agreement with Groombridge Trading Corporation ("GTC") to establish an unincorporated 50/50 joint venture (the "GTC JV") to expand GTC's existing trading business of supplying products, machinery and equipment to Cuba, in particular to the growing tourism sector. GTC is a Canadian company that is approved to trade in Cuba by the Cuban Ministry of Foreign Trade and Investment and the Ministry of Agriculture and is also authorized to trade with other Cuban Government entities. The GTC JV was granted an exclusive, first right of refusal to participate on a deal by deal, 50/50 basis, on any transaction generated by GTC.

On September 22, 2017 the Board of Directors decided to exit all of the Company's investments with interests in Cuba and the Company terminated the GTC JV on September 25, 2017. Further, on September 29, 2017, the Company executed an agreement with GTC confirming the termination of the GTC JV and the write-off of the working capital loan provided by the Company to the GTC JV. Consequently, as at September 30, 2017, the Company recognized an impairment in net loss related to its loan to the GTC JV amounting to £206,328 ($338,474) [2016 – nil].

Commercial Funded Solar Ltd

On May 12, 2016, the Company entered into an agreement with UK solar power and storage specialists, Commercial Funded Solar Ltd., 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. As at September 30, 2017 and 2016, the Company had not established the CFS JV and the relationship was ended.

Cuba Professionals Inc.

In March 2016, the Company acquired a 49% interest in Cuba Professionals Inc. ("CP") a private company incorporated in Panama. CP provided human resources and consulting services in Cuba. Pursuant to the binding term sheet signed between Leni Gas Cuba and CP, the Company subscribed for new ordinary shares representing 49% of CP's 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.

On December 17, 2016, Leni Gas Cuba terminated its agreement with CP. Further, on January 21, 2018, the Company executed a settlement agreement with CP pursuant to which the Company transferred its shares in CP for nil consideration.

During the year ended September 30, 2017, the Company recorded an impairment of $nil [2016 – £36,869 ($69,628)].

Loan Funding

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 AUD$325,000 ($330,460) for working capital purposes. On May 25, 2017 the Company obtained a further loan of AUD$50,000 ($49,735) bringing the total loan amount to AUD$375,000 ($380,245) maturing on June 23, 2017 (the "Loan Agreement").

Pursuant to the Loan Agreement, financing fees in the amount of AUD$37,500 ($37,386) were payable, being 10% of the revised loan amount. In addition, the loan was subject to interest of 10% per annum.

During the year ended September 30, 2017, the Company repaid principal of AUD$100,000 ($101,505) and the amount of interest charged to net loss in respect of these loans amounted to $17,301 [2016 – $nil]. The balance of the loan, as at September 30, 2017, of AUD$330,027 ($325,035) was repaid in October 2017.

Outlook

Pursuant to its growth strategy, the Company is increasing its investment footprint in the fast growing and globally expanding legalized medicinal cannabis sector, with the exception of investments in businesses operating in the United States. To date, the Company has entered into agreements for investments in private cannabis operations in Canada, Australia, Europe, Jamaica and South Africa.

The Company looks forward to updating shareholders on its significant investment in partnership with AAA Trichomes to build one of the largest legal cannabis operations in Quebec; its significant and growing investment in Australian Medical Cannabis company Little Green Pharma; its partnership with Global Canna Labs in Jamaica; its very exciting global strategic alliance with Swiss based Creso Pharma; and to closing a substantial cannabis deal in southern Africa with its 50/50 partner for that region AfriAg.

Other Subsequent Events

Stock option grants and amendments to 2016 Stock Option Plan

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

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

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

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

Amendments to existing stock option grants

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

Exercise of stock options

During the period from October 1, 2017 to January 29, 2018, the Company issued a total of 4,550,000 common shares upon the exercise of stock options at an average exercise price $0.10 per share raising total proceeds of $453,860.

Exercise of warrants

During the period from October 1, 2017 to January 29, 2018, the Company issued 23,001,211 common shares in respect of the exercise of warrants at an average exercise price of $0.15 per share raising total proceeds of $3,450,182.

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

Agreement with OCI Inc. for Strategic Advice

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

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

Financial Information

Selected Annual Financial Information

The following table summarizes selected financial information of LGC Capital for the fiscal years ended September 30, 2017 and 2016.

	As at September 30, 2017 $	As at September 30, 2016 $
Net loss	(5,047,555)	(7,861,526)
Basic and diluted net loss per share	(0.02)	(0.05)
Total assets	2,747,280	8,054,540

Fiscal year ended September 30, 2017 compared with the year ended September 30, 2016

LGC Capital reported a net loss of $5,047,555 or $0.02 per common share compared to a net loss of $7,861,526 or $0.04 per common share for the fiscal year ended September 30, 2016. The reduction in the loss in 2017 was driven by a combination of a reduction in administrative expenses, realized gains on the disposal of available for sale assets, the impact of impairment charges related to the Company's investments in Cuba and the impact of listing and compliance expenses recorded in 2016.

Administrative expenses

Administrative expenses decreased considerably in the 2017 fiscal year to $2,941,505 from $4,927,360 in 2016. The following is a breakdown of the nature of expenses included in administrative expenses for the years ended September 30.

	2017 **$**	**2016** **$**
Administrative expenses:		
Salaries and other employee benefits	151,974	48,557
Directors' fees and consultancy	610,426	703,965
Legal fees	297,224	332,076
Regulatory expenses	308,710	831,245
Consultancy fees	366,116	1,200,725
Travel and business development	50,654	281,724
Investor / public relations	136,009	69,290
Office expenses	130,726	161,163
Professional fees	78,221	90,607
Stock-based compensation	449,511	1,140,631
House of Hemp related	335,624	—
Other administration	26,310	67,377
Total	**2,941,505**	**4,927,360**

The decrease in administrative expenses during the year arose principally from a reduction in regulatory expenses, from $831,245 to $308,710, which were higher in 2016 due to the RTO, a reduction in fees from external consultants, from $1,200,725 in 2016 to $366,116 in the current year, which reflects the Company's reduced activities in Cuba, a reduction in stock-based compensation expenses, from $1,140,631 to $449,511, as the Company granted fewer stock options and expenses incurred in 2017, and an expense of $335,624, related to the Company's exclusive option to acquire, along with its joint venture partner, a 60% interest in South Africa's House of Hemp.

Listing and compliance expenses

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 the 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 Capital 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.

	2017 $	2016 $
Listing and compliance expenses:		
Legal fees	—	321,425
Excess of consideration over net liabilities assumed	—	2,493,306
Total	—	**2,814,731**

Realized gain on available for sale investments

As a result of the divestment of shares in Melbana discussed above, during the year ended September 30, 2017, the Company recognized a gain on disposal of shares of Melbana of AUD$343,458 ($444,705), recorded initially in other comprehensive (loss) income and subsequently reclassified to net loss.

Impairment

As at September 30, 2017, as a result of the Board's decision to withdraw from all activities involving Cuba, and the various actions taken by management before year end to give effect to this directive, the Company recorded impairment charges totalling $2,366,407 (2016 - $69,628) against its investments in Cuba, comprising available for sale assets (2017 - $1,311,575; 2016 - nil), investments in associates (2017 - $69,719; 2016 - $69,628), investments in joint ventures (2017 - $81,905; 2016 - nil) and loans to associates and joint ventures (2017 - $903,208; 2016 - nil).

Finance expenses

During the year ended September 30, 2017, the Company incurred finance expenses totaling $55,180 (2016 – nil) including interest and loan fees associated with of its loan payable to Azonto Petroleum Ltd totalling $54,687.

Share of losses in associates and joint ventures

During the year ended September 30, 2017, the Company recognized a profit on its investment in its associate, InCloud9 Group, totalling $6,464 (2016 – loss of $2,402) and a loss on its investment in the Rushmans joint venture, totalling $56,980 (2016 – loss of $30,575).

As at September 30, 2017, the Company has written down to zero its exposure to all of its investments in associates and joint ventures, with activities related to Cuba.

Other comprehensive (loss) income

During the year ended September 30, 2017, the Company incurred other comprehensive losses totalling $4,258,610 (2016 – income of $3,166,864) comprising a decrease in the value of available for sale investments of $4,907,780 (2016 – increase of $4,586,365), the reclassification to net loss of the realized gain on available for sale investments of $444,705 (2016 – nil), the reclassification to net loss of impairment charges on available for sale investments of $1,311,575 (2016 – nil) and a foreign exchange loss on translation of foreign subsidiaries of $217,700 (2016 – loss of $1,419,501).

Summary of Quarterly Results

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

Fiscal Quarter ended	Total Revenue $	Net loss for the period $	Basic and diluted loss per share $	Total assets $
September 30, 2017	-	(3,480,441)	(0.01)	2,747,280
June 30, 2017	-	(444,365)	(0.00)	5,422,433
March 31, 2017	-	(607,134)	(0.00)	6,462,141
December 31, 2016	-	(515,615)	(0.00)	5,688,259
September 30, 2016	-	(3,405,895)	(0.01)	8,054,540
June 30, 2016	-	(1,164,669)	(0.01)	5,744,588
March 31, 2016	-	(748,275)	(0.01)	6,589,634
December 31, 2015	-	(2,542,687)	(0.01)	7,226,659

The Company did not pay 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, 2017 compared with the fourth quarter ended September 30, 2016

The Company reported a net loss for the quarter ended September 30, 2017 of $3,480,441 compared to a net loss of $3,405,895 for the quarter ended September 30, 2016, which included the effects of the RTO described above.

Operating expenses for the quarter ended September 30, 2017 amounted to $3,395,011, compared to $3,397,547 for the quarter ended September 30, 2016. These expenses consisted of administrative expenses of $1,165,324 (2016 - $864,495), legal fees associated with the RTO of $nil (2016 – $39,746), the excess of consideration over net liabilities assumed related to the RTO of $nil (2016 - $2,493,306), a realized gain on disposal of available for sale investments amounting to $136,720 (2016 – nil) and impairment charges totalling $2,366,407 (2016 - $69,628) against its investments in available for sale assets (2017 - $1,311,575; 2016 - nil), investments in associates (2017 - $69,719; 2016 - $69,628), investments in joint ventures (2017 - $81,905; 2016 - nil) and loans to associates and joint ventures (2017 - $903,208; 2016 - nil).

Non-operating expenses for the quarter ended September 30, 2017 totalled $85,430, compared to $9,050 for the quarter ended September 30, 2016. Of these, finance expenses recorded during the quarter amounted to $8,123 (2016 – nil) and the share of net losses from associates and net (profits) from joint ventures recorded during the quarter amounted to $46,496 and ($12,636) respectively (2016 – losses of $8,013 and $15,295 respectively). Foreign exchange losses for the quarter amounted to $43,447 (2016 – gain of $14,960).

Cash Flows

Cash flows for the year ended September 30, 2017 compared with the year ended September 30, 2016

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 2017 $	**2016 $**
Cash flows from operating activities	(2,656,738)	(4,436,527)
Cash flows from investing activities	1,008,277	(1,463,271)
Cash flows from financing activities	3,182,270	381,629
(Decrease)/Increase in cash	1,533,809	(5,518,169)
Net foreign exchange differences	(1,376)	(568,519)
Cash, beginning of year/period	486,137	6,572,825
Cash, end of year/period	2,018,570	486,137

As at September 30, 2016, the Company had cash of $2,108,570 compared to $486,137 as at September 30, 2016. The increase in cash of $1,533,809 during the year ended September 30, 2017 reflects the financing cash flows of $3,182,270 and disposal of available for sale investments of $1,026,829.

The Company raised $3,000,000 through a share placement in September 2017.

There has been no change with respect to the overall capital risk management strategy during the year ended September 30, 2017.

Cash flows for the three months ended September 30, 2017 compared with the three months ended September 30, 2016

	Fourth Quarter 2017 $	**Fourth Quarter 2016 $**
Cash flows from operating activities	(1,390,806)	(1,396,316)
Cash flows from investing activities	524,564	204,586
Cash flows from financing activities	2,799,300	-
(Decrease)/Increase in cash	1,933,058	(1,191,730)
Net foreign exchange differences	2,121	36,629
Cash, beginning of period	83,391	1,641,238
Cash, end of period	2,018,570	486,137

Cash at the beginning of the fourth quarter 2017 was $83,391 and the Company had a cash position of $2,018,570 at the end of the quarter. This increase is due primarily to the Company raising $3,000,000 before expenses through a share placement in September 2017.

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 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 were 234,045,328 common shares of the LGC Capital issued and outstanding as at September 30, 2016.

On September 12, 2017, the Company completed a private placement by issuing 30,000,000 units at a price of $0.10, for gross proceeds of $3,000,000 all of which was allocated to common shares. During the year ended September 30, 2017, the Company issued 156,500 common shares in respect of the exercise of stock options at an average exercise price of $0.064.

There were 264,201,810 common shares of LGC Capital issued and outstanding as at September 30, 2017.

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

Related Party Transactions

During the years ended September 30, 2017 and 2016, the Company recorded the following compensation for key management personnel and the Board of Directors:

	2017 $	2016 $
Directors' fees	266,440	643,049
Stock-based compensation	313,008	665,281
Total	**579,448**	**1,308,330**

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) During the year ended September 30, 2017, the Company purchased travel services from its associate, InCloud9 and the total amount charged to administrative expenses in respect of such services amounted to $20,918 [2016 – $79,227].

(b) During the year ended September 30, 2017, 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 and the total amount charged to administrative expenses in respect of such related party services amounted to $24,936 [2016 – $37,500].

(c) During the year ended September 30, 2017, the Company incurred fees to a number of management entities of which certain officers or directors of the Company are a related party and the total amount for such services was $399,986, which was recorded in directors fees [2016 – $60,916]. As at September 30, 2017, an amount of $34,010 [September 30, 2016 – $14,810] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Capitalization

As at September 30, 2017 there were 264,201,810 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 46,513,179 common shares issued and outstanding, of which 41,513,179 were exercisable as at September 30, 2017. There were also warrants in respect of 32,968,000 common shares issued and outstanding as at September 30, 2017. The stock options have weighted average exercise price of $0.28 per share and expiry dates ranging from November 1, 2018 to March 31, 2022. The warrants have a weighted average exercise price of $0.12 per share and a weighted average life of 1.18 years as at September 30, 2017.

As at January 29, 2018 there were 322,284,843 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 41,938,179 common shares issued and outstanding, of which 36,938,179 were exercisable as at January 29, 2018. There were also warrants in respect of 35,973,439 common shares issued and outstanding as at January 29, 2018.

Commitments

Operating lease commitments

During the year ended September 30, 2017, the Company terminated its operating lease. As at September 30, 2017, the Company had outstanding residual commitments payable under terminated operating leases, included in accounts payable and accrued liabilities, amounting to $5,429.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Judgments and Estimates

As detailed in note 2 of the consolidated financial statements, management has identified critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Changes in Significant Accounting Policies

The Company's significant accounting policies are disclosed under note 3 to the consolidated financial statements for the year ended September 30, 2017.

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

Risk Factors and Risk Management

Financial instruments

General objectives, policies and procedures

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

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 regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Principles of risk management

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

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 Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure.

As at September 30, 2017, the Company had a total of $2,018,570 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, USD and ZAR.

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.

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 investing in high growth businesses, including medicinal cannabis. An investment in LGC Capital involves a number of risks. In evaluating LGC Capital, it is important to consider that it is an investment vehicle which makes investments and/or acquisitions primarily in medicinal cannabis. 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 currently 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 for LGC Capital's common shares will develop or continue and an investor may find it difficult to resell its common shares;

(d) 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 member of 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; and

(g) the Company's success depends to a certain degree upon certain key members of management. It is expected that these individuals will be a significant factor in the 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.

Investment risks

The business strategy of the Company is to seek new opportunities in the cannabis space, including investing in existing companies and businesses. In the pursuit of such opportunities, the Company may fail to select appropriate businesses, to negotiate appropriate investment terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, the Company may encounter difficulties in its on-going relationships with investee businesses. The Company may fail to realize benefits from any particular investment. The Company cannot provide assurance that it will complete any investment that it pursues on favourable terms, or that any such investments will ultimately benefit the Company.

Change in laws, regulations and guidelines

The laws, regulations and guidelines generally applicable to the cannabis industry in Canada and internationally may change in ways currently unforeseen by the Company. The operations of the Company's various investee businesses are subject to numerous laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of medical or recreational cannabis, as applicable. Any amendment to or replacement of such laws and regulations may cause adverse effects to the operations of the investee businesses and thus to the Company. Such regulatory changes could have a material adverse effect on the business, financial condition and results of operations of the Company. Further, such laws and regulations vary from country to country, and different laws and regulations will apply to the Company's various current or future investee businesses, depending on where such investee businesses are located and where they carry on business. It may not be possible for the Company to ensure that each of its investee businesses complies with all applicable laws and regulations in all jurisdictions, particularly as such laws and regulations are being enacted or amended on an on-going basis. Any failure by one of the Company's investee businesses to comply with all applicable laws and regulations in all jurisdictions could have a material adverse effect on the business, financial condition and results of operations of the Company

Proposed legalization of cannabis in Canada

On November 27, 2017, the Canadian House of Commons adopted *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "Cannabis Act"). The Cannabis Act is currently before the Canadian Senate. It is not known whether the Cannabis Act will be adopted by the Canadian Senate or, if so, the date on which it will enter into effect. Further, regulations to the Cannabis Act have not yet been published. If the Cannabis Act does not come into effect, its entry into effect is delayed, or the regulations under the Cannabis Act are unduly restrictive, it may have an adverse effect on one or more of the Company's current or future investee businesses, and thereby have a material adverse effect on the Company's business, results of operation and financial condition.

Further, certain provincial governments in Canada have also made announcements with respect to the proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes. There is no guarantee that Canadian provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted on a timely basis or at all. If such Canadian provincial regulations, if and when adopted, are unduly restrictive, it may have an adverse effect on one or more of the Company's current or future investee businesses, and thereby have a material adverse effect on the Company's business, results of operation and financial condition.

Public perception of medical or recreational cannabis

The use of medical or recreational cannabis is a controversial topic. There can be no guarantee that future scientific research, publicity, regulations, medical opinion or public opinion relating to medical or recreational cannabis will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, restrictive regulations, medical opinion or public opinion relating to the consumption of medical or recreational cannabis may have a material adverse effect on the Company's current or future investee businesses and on the Company's business, results of operation and financial condition.

Competition

The Company's various current and future investee businesses will face significant competition from numerous other businesses, both in Canada and internationally, many of which, when compared to the Company's investee businesses, may have significantly greater financial, technical, marketing and other resources. The significant competition may have an adverse effect on the Company's various investee businesses and thereby a material adverse effect on the Company's business, results of operation and financial condition.

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 certain 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.