LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2018

As at February 28, 2018

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" or the "Company") covers the year ended September 30, 2018. It should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended September 30, 2018 and 2017.

The audited consolidated financial statements for the years ended September 30, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

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 ("TSX-V") 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.

LGC Capital, and its wholly owned subsidiaries LGC Finance Limited (formerly Leni Gas Cuba Limited) ("LGC BVI"), LGC Capital EU OU ("LGC Estonia") and LGC Capital Spain, S.L. ("LGC Spain"), are collectively referred to as the "Company" in this MD&A.

Description of the Company's Business

LGC Capital is focused on investing in the legal global cannabis market. The Company's aim is to be involved and invested in jurisdictions globally that allow legal cultivation and production of cannabis products, with the exception of investments in businesses operating in the United States. To date, the Company has expanded to securing significant positions in emerging legal cannabis companies in Australia, Canada, Jamaica, Switzerland and Italy.

LGC Capital's significant investments and activities in the legal cannabis sector, as at February 28, 2019, are as follows:

Legal Cannabis Sector:

The Company is on an aggressive acquisition path to acquire and invest in significant legal cannabis businesses around the world, with the objective of having 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 more and more countries enact new legal cannabis legislation. To date, the Company has completed, or is in the advanced stage of completing the following investments.

Canada:

- **Tricho-Med Corporation ("Tricho-Med"):** Tricho-Med has the objective to establish itself as one of the largest growing operations of legal cannabis in Quebec, Canada. On January 8, 2018, LGC Capital completed the agreement with Tricho-Med for a four-year secured convertible loan of $4,000,000, which will automatically convert into a 49% equity interest in Tricho-Med on it obtaining a license to cultivate cannabis from the relevant regulatory authorities. Upon conversion, LGC will also receive a 5% royalty on Tricho-Med's net sales. In the event that Tricho-Med does not complete an IPO within 12 months of having obtained the license, the Company will receive a 54% equity interest in Tricho-Med. If the full amount of the $4,000,000 is not disbursed, the equity interest received by the Company will be prorated accordingly. Tricho-Med is in the final stages of completing construction on its 34,000 square feet GMP-compliant indoor cannabis cultivation facility in Brownsburg, Quebec. Using the area's low-cost of electricity, Tricho-Med will become a low-cost producer of premium indoor cannabis to the Canadian legal market. Completion of construction and submission of evidence package for a licence under the Cannabis Act is anticipated in the first calendar half of 2019.

Jamaica:

- **Global Canna Labs Limited ("Global Canna"):** Global Canna is a licensed medical cannabis producer in Montego Bay, Jamaica. The Company first announced a Letter of Intent to invest in Global Canna on January 26, 2018. The Company subsequently conditionally closed its investment in Global Canna on August 30, 2018, with the subscription for a $2,500,000 secured debenture, convertible into 30% of the issued shares of Global Canna upon an IPO by Global Canna, as well as the acquisition of a 5% royalty on Global Canna's net sales for the issue of 15,854,141 shares in the Company, valued at $3,091,558 based on the share price on the date of issue of $0.195 per share. The Company received the final approval from the TSX-V in respect of the investment in Global Canna on September 20, 2018. In July 2018, Global Canna formally received its Tier 3 cultivation license from the Jamaican Cannabis Licensing Agency. Global Canna has a 270,000 square feet facility within its 6.23 acres site in Montego Bay, Jamaica where it is permitted to grow 200,000 plants. Upon receiving its licence, Global Canna commenced with planting of 8,000 plants in the 31,000 square foot greenhouse component of its facility and in December 2018, Global Canna successfully completed its first harvest. Planting of the Global Canna's facility has since extended to over 16,000 cannabis plants in both its greenhouse and outdoor components.

Australia:

- **Habi Pharma Pty Ltd (doing business as "Little Green Pharma")("LGP"):** Little Green Pharma is the first and only Australian licensed cannabis producer that is permitted to grow and sell Australian grown medical cannabis products. The Company holds 9,783,495 shares in Little Green Pharma, representing a 14.21% interest as at September 30, 2018. The Company acquired its holding in Little Green Pharma in several tranches at a total cost of $3,840,899, comprising $1,478,699 in cash and $2,362,200 in share consideration through the issue of 10,660,000 shares in the Company at an average issue price of $0.22 per share on the date of issue. In April 2018, Little Green Pharma achieved the significant milestone of its first harvest of medical cannabis as a result of its first planting in December 2017. This was followed by a subsequent second harvest in August, 2018 with further processing taking place at its Perth processing facility. In August 2018, Little Green Pharma became the first company permitted by Australia's Therapeutic Goods Administration to sell Australian grown medical cannabis products. This represented a great achievement for Little Green Pharma as all of their Australian competitors are only permitted to sell imported products or to do research and development only with their medical cannabis. In October 2018, Little Green Pharma's products were accepted into the New South Wales state-wide clinical trial for advanced cancer.

Italy:

- **Evolution Group ("Evolution"):** Evolution is establishing a new cannabis production facility and lab in a retrofitted 70,000 square foot site in Pavia, Italy. On August 13, 2018, the Company entered into a convertible debenture ("the Evolution Debenture") with Evolution to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest upon the successful completion of an IPO. The completion of the Evolution Debenture transaction is subject to conditions precedent, including pending TSX-V approval. On August 13, 2018, the Company entered into an agreement with Evolution for a 5% royalty on the net sales of Evolution. As at September 30, 2018, the Company had advanced funding of EUR1,050,000 ($1,576,266) pursuant to the Evolution Debenture.

- **EasyJoint Project SRL (“EasyJoint”)**: EasyJoint is a leading brand in legal cannabis light products in Italy. EasyJoint products are distributed in over 450 retail points of sale in Italy including eleven EasyJoint franchise stores that have already opened in Rome, Milan, Piacenza, Rovato (BS), Viadana, Bassano del Grappa, Crotone, Pantelleria, and Parma with an additional two stores under discussion. On November 12, 2018, the Company announced that it had entered into an agreement to acquire 47% of EasyJoint for a total cash and share consideration of EUR4,800,000 ($7,171,200). Payment for the 47% equity interest in EasyJoint will be effected by way of a cash payment of EUR2,544,000 ($3,800,736) and the issue of LGC shares with a value of EUR2,256,000 ($3,370,464) based on a price per share set at 85% of the five (5) day volume weighted average price of LGC Capital shares immediately prior to the closing of the transaction. Definitive documentation will be submitted to the TSX-V and closing of this transaction is subject only to TSX-V review and approval.

Switzerland:

- **Viridi Unit SA (“Viridi”)**: Viridi is a legal cannabis supplier to the Swiss and European markets, with a wide range of seeds, buds, cosmetics, cigarettes and natural wellness products. The "ONE Premium Cannabis" brand products are currently available throughout Switzerland in 200 locations. On December 12, 2018, the Company announced that it had closed its investment in Viridi acquiring a 30% equity interest in Viridi and a 5% royalty on Viridi’s net sales over ten years, for the deemed consideration of CHF3,000,000 through the issue of 35,167,001 shares in the Company. The cost of the investment by the Company in Viridi was $3,868,370, applying the share price on the date of issue of $0.11 per share.

Financing Activities

Private Placement December 2017

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. If the volume weighted average trading price of LGC Capital’s shares on the TSX-V for a period of ten consecutive trading days is at least $0.30, the Company 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 applied 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.

Private Placement February 2018

On February 16, 2018, the Company announced the completion of a bought-deal private placement, including a partial exercise of the underwriter's option, by issuing 18,515,000 units at a price of $0.435 per unit for gross proceeds to the Company of $8,054,025. The units were sold to “accredited investors” in Canada and internationally through Cormark Securities Inc. (“Cormark Securities”) as underwriter. Each of the units is comprised of one common share and one common share purchase warrant. Each full warrant entitles its holder to subscribe for one additional common share of the Company at an exercise price of $0.49 for 36 months from the closing date. In the event that the volume weighted average trading price of the Company’s shares on the TSX-V for a period of 20 consecutive trading days commencing four months from the closing date is at least $0.65, the Company 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 trading days after the date of such notice.

At closing, the Company paid a cash commission to Cormark Securities, as underwriter, in an amount equal to 6% of the gross proceeds from the private placement. In addition, the Company issued 1,110,900 “broker warrants” to Cormark Securities, representing 6% of the number of units issued and sold in the private placement. Each of the “broker warrants” entitles its holder to purchase one additional unit at the offering price of $0.435 for a period of three years from the closing date of the private placement.

The securities issued at the closing are subject to a “hold period” which expires on June 17, 2018.

In connection with the private placement, each of the Company’s six directors and officers entered into a Lock-up Agreement with Cormark Securities under which they agreed not to sell any common shares of the Company or any securities convertible or exchangeable into common shares of the Company for a period of 120 days from the closing date of the private placement without the prior consent of Cormark Securities, subject to limited exceptions.

The Company also announced that it had loaned an aggregate of $609,411 to three of the Company’s directors and/or officers in order to fund the exercise by them of stock options in the Company in the amount of $210,328 and $399,083 to fund the payment by them of related taxes. The loans, which do not bear interest, must be repaid within two years and are subject to approval by the TSX-V.

Investment Agreement for US$2,340,000 loan

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

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

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

The Debentures mature in one year and bear interest at a rate of 9.5% per annum, payable quarterly and, at any time after the expiry of a four-month period after the Advance Date, at the holder's exclusive option, can be converted into common shares at a price equal to 90% of the volume weighted average trading price of the Company's shares during the 5 trading days prior to the date of the conversion notice, but not lower than $0.50. The Company has the right to repay any portion of the Debentures, subject to a fee of 5% of the nominal amount, prior to the maturity date if the value of the share is less than 110% of the volume weighted average price at the date the debentures were made.

Each of the 1,643,764 common share purchase warrants issued entitles the Noteholders to acquire one common share of the Company at a price of $0.70, for a period of one year from the date of issuance.

In connection with the Agreement, the Company incurred cash settled issue costs amounting to $67,788 and other transaction fees settled by issuing 376,162 shares of the Company at $0.285 per share amounting to $107,206, for total issue costs of $174,994.

Exercise of Warrants and Options

During the year ended September 30, 2018, the Company issued 30,549,371 common shares in respect of the exercise of warrants at an average exercise price of $0.15 per share, with net cash receipts of $4,148,352.

During the year ended September 30, 2018, the Company issued 12,868,779 common shares in respect of the exercise of options at an average exercise price of $0.075 per share, with net cash receipts of $683,860.

Investment Activities

Tricho-Med Corporation (Montreal, Quebec, Canada)

On October 31, 2017, the Company announced that it had signed an option with Quebec based Tricho-Med to acquire a 49% interest, together with a 5% royalty on its net sales.

On January 8, 2018, the Company announced that it had finalized a transaction with Quebec based Tricho-Med Corporation ("Tricho-Med"), and had entered into a four-year secured convertible loan agreement in an amount of $4,000,000 [the "Tricho-Med Debenture"], to be disbursed in accordance with a pre-agreed milestone disbursement schedule. Upon Tricho-Med obtaining a license to cultivate cannabis from the relevant regulatory authorities, the Tricho-Med Debenture will automatically convert into common shares of Tricho-Med. If the full amount of $4,000,000 is disbursed to Tricho-Med, the Company would then receive 49% of Tricho-Med's then-issued and outstanding shares. In the event that Tricho-Med does not become a publicly-listed company within twelve months of having obtained the license, the Company will receive such number of shares so that it owns 54% of the then-issued and outstanding shares of Tricho-Med. If the full amount is not disbursed, the equity percentage to be received by LGC Capital would be prorated accordingly. Upon conversion into equity, the Company will also be entitled to a 5% royalty on Tricho-Med's net sales for an unlimited time period. The Tricho-Med Debenture bears interest at an annual rate of 10%, has a term of four years, maturing on December 21, 2021, and is secured by first-ranking security on all of Tricho-Med's assets.

On December 18, 2017, the final approval bulletin from the TSX-V in respect of LGC Capital's investment into Tricho-Med was obtained.

In April 2018, construction began at Tricho-Med in Brownsburg, Quebec for its initial 34,000 square feet state of the art multi-level indoor cannabis production facility. The strategic location has some of the lowest of electricity in Canada at just under $0.04 per kilowatt hour giving Tricho-Med a natural cost advantage of over indoor production facilities in Canada.

At the time of this MD&A, the construction of Tricho-Med's 34,000 square feet indoor facility is nearing completion with the exterior and much of the interior completed along with installation of electrical, and heating and cooling systems being complete. Final touches to the security systems are being installed towards making submission for the final evidence package to Health Canada anticipated in calendar H1 2019. All production materials and operation flow designs are built to be in full compliance with EU-GMP standards which will give Tricho-Med access to the lucrative global medical cannabis market.

As at September 30, 2018, a total of $1,750,864 had been drawn down under the Tricho-Med Loan. As at the date of this report, the full amount of the Tricho-Med of $4,000,000 had been drawn down.

Global Canna Labs (Jamaica)

On January 26, 2018, the Company announced it had entered into a Letter of Intent with Global Canna and one of its major shareholders, for a strategic investment in Global Canna.

The Company received conditional approval for the transaction with Global Canna on June 21, 2018. On August 30, 2018, the Company announced that it had conditionally closed the transaction with Global Canna by subscribing for a $2.5 million secured debenture, convertible into an initial 30% strategic interest in Global Canna and also acquiring a 5% royalty on Global Canna's net sales through the issue of 15,854,141 shares in LGC Capital, valued at $3,091,558 based on the share price on the date of issue of $0.195. In addition, the Company paid a commission in respect of the transaction to an arm's length finder of $257,500, to be paid $128,750 in cash and $128,750 by way of the issue of 1,020,610 shares in LGC Capital. On September 20, 2018, the Company announced the formal closing of its investment in Global Canna, upon receipt of the final approval bulletin from the TSX-V for the transaction.

In July 2018, Global Canna formally received its Tier 3 cultivation license from the Jamaican Cannabis Licensing Agency. The license allows the company to cultivate up to 200,000 organic medical cannabis plants at its 270,000 square feet facility within its 6.23 acres site in Montego Bay, Jamaica.

Upon receiving its license, Global Canna commenced with planting of 8,000 plants in the 31,000 square foot greenhouse component of its facility. Planting of the Global Canna facility has since extended to over 16,000 cannabis plants in both its greenhouse and outdoor components.

In December 2018, Global Canna successfully completed its first harvest of two of its strains Wedding Cake with over 24% THC and Jack Hammer with 5% THC and 6% CBD) with independent lab tested results from the University of the West Indies.

Little Green Pharma (Australia)

On October 5, 2017, the Company executed a subscription agreement ("LGP Subscription") with Australian medical cannabis company, 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 cash of AUD$432,218 ($422,968) and issuing 5,660,000 common shares of LGC (value of $962,200 based on the share price on the date of issue of $0.17) for a total consideration of $1,385,169.

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.

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

Under the LGP 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 ($906,062), 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 February 14, 2018, the Company announced the completion of an increase in its strategic interest in Little Green Pharma from 11.91% to 14.99%. At closing, Little Green Pharma issued 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 paid for the shares by issuing 5,000,000 shares of the Company to Little Green Pharma at a deemed issue price of $0.53 per share, representing the closing price of the Company's shares on the TSX-V on January 19, 2018, for a total consideration of $2,650,000, equivalent to AUD$2,679,150 based on the Bank of Canada exchange rate on February 14, 2018. The 5,000,000 consideration shares were valued in the accounts of the Company at $1,400,000 based on the share price at the date of issue of $0.28. The consideration shares were subject to a "hold period" which expires on June 15, 2018. The subscription agreement entered into by the Company and Little Green Pharma at closing contained an undertaking by the Company to participate in any Little Green Pharma's capital raise before June 30, 2018, to the extent required to maintain the Company's 14.99% shareholding in Little Green Pharma. This condition subsequently lapsed on June 30, 2018 with no further investment required by the Company.

In April 2018, Little Green Pharma achieved the significant milestone of its first harvest of medical cannabis as a result of its first planting in December 2017. This was followed by a subsequent second harvest in August, 2018 with further processing taking place at its Perth processing facility.

In August 2018, Little Green Pharma became the first company permitted by Australia's Therapeutic Goods Administration to sell Australian grown medical cannabis products. This represented a great achievement for Little Green Pharma as all of their Australian competitors are only permitted to sell imported products or to do research and development only with their medical cannabis. Further, in October 2018, Little Green Pharma's products were accepted into the New South Wales state-wide clinical trial for advanced cancer.

As at September 30, 2018, LGC Capital's holding in Little Green Pharma was diluted to 14.21%, following the issue of shares by Little Green Pharma in consideration for services received.

As at September 30, 2018, the fair value of the investment in Little Green Pharma was determined to be AUD0.40 per share, based on an arm's length offering of a significant shareholder in Little Green Pharma, representing a balance of investment of $3,652,023. As at September 30, 2018, the movement in the fair value of the Company's investment in Little Green Pharma amounted to a loss of $188,876.

Evolution Group (Italy)

On March 12, 2018 the Company announced the signing of a Letter of Intent ("LOI") with Evolution Bnk for a secured loan by LGC Capital in an amount of EUR3.0 million (approx. CAD $4.7 million), convertible in certain circumstances into a 49% equity interest in the Evolution Bnk. The LOI also provides that LGC will acquire a 5% royalty on Evolution Bnk's net sales.

Evolution Bnk's objective is to become a leader in Italy for the production and distribution of industrial cannabis from its cannabis production facility and lab in a retrofitted 70,000 square foot site in Pavia, Italy. The cannabis to be produced by Evolution Bnk will be legal low THC (0.2% THC by Italian law).

During the reporting period, the Company entered into agreements with Evolution BNK to provide it with bridging loans totalling EUR800,000 (the "Evolution Bridging Loans") to help it fund its operations until the Evolution Debenture was issued. The Evolution Bridging Loans were secured and bore interest at an annual rate of 10%. On April 16, 2018, the Company entered into an agreement with Evolution Bnk to provide it with a bridging loan for EUR400,000 ($648,272), repayable at call after July 16, 2018 and accrued interest at a rate of 10% per annum. On June 19, 2018, the Company entered into an agreement with Evolution Bnk to provide a further bridging loan of EUR400,000 ($620,694), repayable at call after August 19, 2018 and accruing interest at a rate of 10% per annum. The Evolution Bridging Loans were rolled into the Evolution Debenture on August 13, 2018.

On August 13, 2018, the Company entered into the Evolution Debenture with 9379-1432 Québec Inc. ("QuebeCo"), the Canadian incorporated parent company of Evolution BNK and Evolution ATM and their principals, to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest in QuebeCo upon the successful completion of an IPO. The Evolution Debenture bears interest of 10% per annum. The completion of the Evolution Debenture transaction is subject to condition precedent, including TSX-V approval. In addition, on August 13, 2018, the Company entered into an agreement with QuebeCo for a 5% royalty on the net sales of Evolution BNK and Evolution ATM. The royalty is secured by the assets of QuebeCo.

As at September 30, 2018, total drawdowns of the Evolution Debenture totaled EUR1,050,000 ($1,576,267).

Viridi (Switzerland)

On August, 1, 2018, the Company entered into a binding agreement to acquire 30% of the capital of Viridi of Switzerland. Viridi is a legal cannabis supplier to the Swiss and European markets, with a wide range of seeds, buds, cosmetics, cigarettes and natural wellness products. The "ONE Premium Cannabis" brand products are currently available throughout Switzerland in 200 locations.

On December 12, 2018, the Company announced that it has closed its investment in Viridi, with LGC Capital issuing 35,167,001 shares of its common stock in exchange for a 30% equity interest in Viridi plus a 5% royalty on Viridi's net sales over ten years. The total consideration amounted to approximately CHF3,000,000 ($3,868,370 based on the share price of $0.11 on the date of issue). In respect of this transaction, the Company has paid a finder's fee to an arm's length party equal to 3% of the total consideration in cash and 2% of the total consideration by the issuance of 703,340 common shares of LGC Capital.

AfriAg Strategic Alliance (southern Africa)

In June 2017, the Company entered into a strategic alliance with AfriAg (Pty) Ltd.("AfriAg"), 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. The proposed 50/50 joint venture with AfriAg was never created.

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

On March 23, 2018, the Company's Directors decided to terminate its option to acquire, through the above mentioned joint venture a 30% interest in House of Hemp citing legislative delays in South Africa adversely impacting the timeline for House of Hemp to obtain the necessary commercial licenses.

During the year ended September 30, 2018, the Company incurred due diligence and other related expenses related to this transaction of $162,367 [2017 – $335,624].

CLV Frontier Brands Pty Ltd ("CLV") (Europe)

On January 11, 2018, the Company announced the launch of the joint venture CLV Frontier Brands Pty Ltd ("CLV"), in which the Company, Creso Pharma Limited ("Creso") and Baltic Beer Company Ltd (UK) ("Baltic Beer") will each have a one-third interest. CLV, which is incorporated in Australia, is to develop and market bespoke beers containing terpenes, which carry the flavour and aroma of cannabis and do not contain THC or CBD or any other cannabinoids. The terpenes used in CLV's beer will not contain cannabis or hemp ingredients either.

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

Subsequently, the Company acquired a one-third interest in CLV by providing AUD33 ($31) in equity funding and EUR270,000 ($409,879) in additional loan funding during the period ended September 30, 2018.

In September 2018, CLV launched two beers under the new CLV umbrella beer brand OLD BOY MARY JANE (OBMJ). The two new beers OBMJ Ghost Bog Hazy IPA and OBMJ Improper Kölsch were launched at the Boutique Bar Show in London, with a positive initial response from the test market.

In October 2018, the Board of Directors decided to not contribute further funding to CLV to focus resources on its portfolio of cannabis investment opportunities. Given the inherent uncertainty as to CLV obtaining sufficient further capital to further progress its business, as at September 30, 2018, the Company recognized an impairment charge in the consolidated statements of (loss) related to its investment in CLV amounting to $31 [2017 – $Nil].

Etea Sicurezza Group

On October 10, 2017, the Company announced that it had entered into an agreement with a Toronto-based investment firm whereby the Company will guarantee repayment (the "Etea Guarantee") of all of the obligations incurred by Etea Sicurezza Group Ltd ("Etea Sicurezza"), an unrelated entity, pursuant to an issuance of notes (the "Notes") by it to an unrelated party in an aggregate principal amount of USD $1,000,000 (the "Notes"). The Notes have a term of two years, maturing in August 2019, bear interest at a rate equal to LIBOR + 8%, and are secured by the assets of Etea Sicurezza and by a pledge of shares by Etea Sicurezza's principal shareholder. As consideration for the Etea Guarantee, on May 15, 2018 the Company was issued shares in Etea Sicurezza, representing 3% of its outstanding share capital, with a deemed value of EUR150,000 ($228,192). In addition, an annual fee of USD$30,000 ($37,636) is chargeable to Etea Sicurezza. During the year ended September 30, 2018, a total of $149,471 has been recorded in revenues related to Etea guarantee fees [2017 - $Nil] with the balance of $116,357 recorded in deferred revenue.

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.

In March 2018, the Company announced that Etea Sicurezza had reported unaudited consolidated revenue for 2017 of over USD$10 million, a 26.5% increase over 2016 unaudited consolidated revenue of USD $7.4 million.

On May 22, 2018, the Company entered into an agreement with Etea Sicurezza to provide a bridging loan (the "First Etea Loan") for up to EUR500,000 for a term of six months. Of the First Etea Loan, the first draw down amount, totalling EUR74,465 ($109,585), is interest free, while the remaining drawdown amounts, totalling EUR400,000 ($648,272), accrue interest at 8% per annum.

On June 19, 2018, the Company entered into an agreement with Etea Sicurezza to provide a further bridging loan for up to EUR350,000 (the "Second Etea Loan") repayable at call until superseded by a replacement loan agreement or investment agreement. The Second Etea Loan accrues interest at a rate of 8% per annum. The Company charged Etea Sicurezza a facilitation fee of EUR15,000 ($23,073) in respect of providing the Second Etea Loan which has been recorded in the consolidated statement of loss under Other Revenues with the corresponding receivable, adjusted for foreign exchange movements, totaling $22,518 as at September 30, 2018, being recorded in the consolidated statement of financial position under Other receivables.

In September 2018, Etea, the Etea Financier and the Company entered into an Amendment and Waiver Agreement ("AWA"), which provided for the Etea Financier to provide a further USD$1.5 million in funding to Etea and to waive any technical defaults by Etea. In September, the Etea Financier provided the first USD$1 million less outstanding charges. The Etea Financier will provide a further USD$0.5 million in funding upon completion of an audit of Etea, which is currently being finalized. The AWA confirms that the Company's loans to Etea are subordinated to the Etea Financier. The AWA sets out the intentions of the Company and the Etrea Financier to convert their loans into equity in Etea, and to support the development of Etea towards a listing.

As at September 30, 2018, the loans provided by the Company to Etea totalled EUR849,348 ($1,275,047). During the year ended September 30, 2018 interest earned in respect of these loans, amounting to EUR19,815 ($29,210) [2017 – $Nil], has been recorded in the consolidated statement of comprehensive loss under Finance Income. Interest receivable in respect of these loans, totaling $29,478 [2017 - $Nil], adjusted for foreign exchange movements, has been recorded in the consolidated statement of financial position under Other receivables.

AS at September 30, 2018, in view of Etea Sicurezza's current liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors has decided to record an impairment in full of its loans to Etea Sicurezza, totaling $1,275,047 [2017 - $Nil] and also to make a provision for non-recovery of all outstanding interest and facilitation fees receivable due from Etea Sicurezza, totaling $51,996 [2017 - $Nil].

Further to the Company's impairment in full of loans to Etea Sicurezza, the Company has also impaired in full its 3% equity interest in Etea Sicurezza as at September 30, 2018, recognising an impairment charge in the consolidated statements of (loss) related to its investment in Etea Sicurezza amounting to $228,192 [2017 – $Nil].

Melbana Energy Limited divestment

During the reporting period, the Company completed the divestment of its non-core investment in Australian-listed oil and gas explorer Melbana Energy Limited ("Melbana") through on-market sales.

In March 2016 the Company acquired 140,716,573 new ordinary shares at AUD0.01 per share in Melbana (formerly MEO Australia Limited), an Australian incorporated public company listed on the Australian Stock Exchange (ticker "MAY"), for a total cash consideration of AUD1,407,166 ($1,360,280). The Company's shareholding represented, on acquisition, a 15.8% interest in Melbana. As a result of share issues by Melbana in August and September 2016 and subsequent divestments of shares by LGC Capital, the Company's interest was reduced to 4.81% as at September 30, 2017 and the balance of LGC Capital's investment was $628,667.

During the year ended September 30, 2018, the Company acquired an additional 1,500,000 shares at an average price of AUD0.02 for a total cost of AUD27,180 ($26,476). During the year ended September 30, 2018, the movement in fair value of the Company's investment amounted to a gain of AUD168,815 ($229,556) [2017 – loss of AUD3,167,667 ($3,220,191)].

During the year ended September 30, 2018, the Company divested 73,402,339 shares in Melbana, at an average price of AUD0.01, for total proceeds of AUD915,918 ($888,727), which resulted in a reduction of the Company's interest in Melbana from 4.81% as at September 30, 2017 to Nil% as at September 30, 2018. As a result, during the year ended September 30, 2018, the Company reclassified to net loss the realized gain on disposal of the shares of Melbana of AUD168,815 ($229,556) [2017 - AUD343,458 ($444,705)].

Exit from Cuba 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.

Petro Australis: Prior to September 30, 2017, the Company had sought interest for the sale of its 12.1% interest in Petro Australis Limited, and as at year end, had received a non-binding offer of AUD$50,000, which was subsequently accepted and completed in December 2017. As at September 30, 2017, the Company had impaired the fair value of its investment in Petro Australis to AUD$50,000. Accordingly, in the three months ended December 31, 2017, there was no earnings impact on the divestment of the Company's interest in Petro Australis.

InCloud9 Group: In the year ended September 30, 2017, the Company impaired in full its 40% interest in the InCloud9 Group, the bespoke Cuban centric travel business, and wrote off all loans provided by the Company to the InCloud9 Group. 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.

Rushmans Joint Venture: On September 26, 2017, the Company terminated the 50:50 Joint Venture with Rushmans for Cuban Sport. For the year ended September 30, 2017, the Company impaired in full its investment and loans to the Rushmans Joint Venture. 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.

Cuba Mountain Coffee: In the year ended September 30, 2017, the Company impaired in full its 10.14% interest in The Cuba Mountain Coffee Company Limited ("Cuba Mountain"). On October 2, 2017 the Company was advised that Cuba Mountain was insolvent and that the directors of Cuba Mountain had resolved to appoint a liquidator.

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. 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.

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, Italy, Jamaica, and Switzerland.

Subsequent Event Investing & Financing Activities

8,000,000 private placement from London based Arlington Capital Inc

On January 23, 2019 LGC received a binding commitment from Arlington Capital Inc., a private London based investment company for a private placement of 80,000,000 common shares in the capital of LGC at a price of $0.10 per share for aggregate proceeds of $8,000,000. Closing of this non-brokered private placement is subject to customary closing conditions including, but not limited to, approval from the TSX Venture Exchange. On closing of the private placement, LGC will pay a 3% finder's fee to an arms-length third party. Upon closing of the private placement, Arlington Capital will become an insider as they will hold a greater than 10% in LGC and will be entitled to appoint a representative to its board of directors.

Investment Agreement for US$2,340,000 loan

On February 28, 2019, the Company announced that, following receipt of conditional approval from the TSX-V, it has now closed its previously announced convertible loan transaction with international investors YA II, PN, Ltd. and RiverFort Global Opportunities PLC (the “Lenders”) pursuant to which they have loaned to LGC an aggregate amount of US$2,340,000 (the “Loan”). The proceeds of the Loan have been used to refinance the existing debt that matured on February 8, 2019.

The Loan has a term of 12 months with one-half of the principal amount outstanding payable in six equal monthly installments beginning on the date falling six months from the date of closing and the remaining outstanding amount payable in a single installment at maturity. The Loan bears interest at an annual rate of 12%, payable in cash on the date which is three months from the date of closing and, thereafter, on each date on which a repayment of principal is made.

The principal amount of the Loan may be convertible into common shares of LGC (the “Shares”) at the option of the Lenders at a price per Share equal to the lesser of (i) US$0.0912 (CAD$0.120), representing the US dollar equivalent of 120% of CAD$0.10; and (ii) 90% of the lowest daily VWAP during the five trading days immediately preceding the date of the conversion notice from the Lenders, subject to a minimum conversion price of US$0.076, representing the US dollar equivalent of CAD$0.10.

At closing, the Company issued an aggregate of 12,048,055 common share purchase warrants (the “Warrants”) to the Lenders, representing an amount equal to 45% of the principal amount of the Loan divided by US$0.0874, representing the US dollar equivalent of CAD$0.115. Each Warrant entitles the holder thereof to acquire one Share at an exercise price of CAD$0.115, for a period of one year from the date of issuance.

In connection with the transaction, the Company paid a cash due diligence fee of US$13,100 to RiverFort Global Capital Limited (“RiverFort”) of London, England.

The Company is at arm’s length to both of the Lenders and to RiverFort.

Investment in EasyJoint Project SRL (Italy)

On November 12, 2018, the Company announced that is has entered into an agreement to acquire 47% of EasyJoint Project SRL ("EasyJoint"), an Italian cannabis company, for a total cash and share consideration of EUR4,800,000 ($7,171,200). Payment for the 47% equity in EasyJoint will be effected by way of i) a cash payment in the amount of EUR2,544,000 ($3,800,736) and ii) in the issuance of common shares for a value of EUR2,256,000 ($3,370,464) in the share capital of LGC Capital (the "Payment Shares") at a price per share set at 85% of the five (5) day volume weighted average price of LGC Capital shares immediately prior to the closing of the transaction (26,152,941 shares at current prices). For this transaction, a finder's fee of 2% cash of the total consideration and 3% in shares of the total consideration will be paid to an arm's length party. This transaction is subject to normal closing conditions and review and approval by TSX-V.

Investment in Viridi

On December 12, 2018, the Company announced that it has closed its investment in Viridi, with LGC Capital issuing 35,167,001 shares of its common stock in exchange for a 30% equity interest in Viridi plus a 5% royalty on Viridi's net sales over ten years. The total consideration amounted to approximately CHF3,000,000 ($3,868,370 based on the share price of $0.11 on the date of issue). For this transaction, LGC Capital has paid a finder's fee to an arm's length party equal to 3% of the total consideration in cash and 2% of the total consideration by the issuance of 703,340 common shares of LGC Capital.

Company Officer Appointments

On October 17, 2018, the Company announced that Mr. Remy Di Meglio had been appointed Chief Operating Officer (COO) at LGC Capital.

On October 19, 2018 the Company announced the resignation of Rafi Hazan as Corporate Secretary and the appointment of Michael Kozub as the new Corporate Secretary of the Company.

Tricho-Med Debenture

Subsequent to year end, the balance of the $4,000,000 Tricho-Med Convertible Debenture of $2,249,136 was drawn down in full.

Evolution Debenture

Subsequent to year end further advances totaling EUR765,000 ($1,144,683) were made under the Evolution Debenture. The total principal of funds advanced under the Evolution Debenture as at the date of this report was EUR 1,815,000 ($2,715,815).

Zimmer International

On January 31, 2019, the Company agreed to purchase from Global Canna, its 6.75% interest in the share capital of Zimmer International Inc (“Zimmer”) for USD$270,000 ($358,546). Zimmer is a pharmaceutical and health care distribution business in the Caribbean, Mexico and South America.

Other Activities

Stock option grants and amendments to 2016 Stock Option Plan

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.

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-V 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 then issued and outstanding. The amendment to the 2016 Stock Option Plan has been conditionally approved by the TSX-V 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 were not to 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 9,750,000 stock options to six directors and officers of the Corporation comprised in the 12,025,000 stock options.

On February 21, 2018, the Company announced the amendment to its 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder to 71,230,957 shares, equal to 20% of the 356,154,788 common shares issued and outstanding in the Company following the recent completion by the Company of its $8 million bought-deal private placement. The increase represents 12,294,231 additional common shares. The amendment to the 2016 Stock Option Plan was subject to approval of the TSX-V and to shareholder approval, at the annual meeting held on April 9, 2018.

At the annual meeting on April 9, 2018, shareholders adopted a resolution confirming a grant of stock options in respect of an aggregate of 9,750,000 common shares to six directors and officers of the Company pursuant to the 2016 Stock Option Plan. At the annual meeting, shareholders also adopted a resolution, as required by the TSX-V, ratifying and confirming amendments to the Company's 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder.

On April 16, 2018 the Company granted an aggregate of 18,550,000 stock options to LGC Capital's six directors and officers under the Company's 2016 Stock Option Plan. The stock options have an exercise price of $0.16 and a term of five years.

Amendments to existing stock option grants

On November 15, 2017, the Company agreed with a consultant to cancel their previously granted stock options to purchase up to 20,000,000 common shares of the Company in five tranches at varying exercise prices, and to issue new stock options to purchase up to 8,000,000 common shares of the Company exercisable on or before May 31, 2018, with 4,000,000 stock options exercisable at $0.093 each and 4,000,000 stock options exercisable at $0.232 each.

Repayment of loan payable

In October 2017, the Company repaid in full the balance of the short-term unsecured loan of A$330,027 ($325,440) from Calima Energy Ltd (formerly Azonto Petroleum Limited).

Financial Information

Selected Annual Financial Information

The following table summarizes selected financial information of LGC Capital for the fiscal years ended September 30, 2018 and 2017.

	As at September 30, 2018 $	**As at September 30, 2017 $**
Net loss	(16,530,002)	(5,047,555)
Basic and diluted net loss per share	(0.05)	(0.02)
Total assets	20,737,817	2,747,280

Fiscal year ended September 30, 2018 compared with the year ended September 30, 2017

The Company reported a net loss for the year ended September 30, 2018 of $16,530,002 or $0.05 per common share. This compares to the net loss year ended September 30, 2017 of $5,047,555 or $0.02 per common share. The significant increase in the net loss for the year September 30, 2018 compared to 2017, is primarily driven by the stock-based compensation charge of $9,097,997 [2017 - $449,511].

Administrative expenses

Administrative expenses increased considerably in the 2018 fiscal year to $13,465,628 from $2,941,505 in 2017, primarily due to the stock-based compensation charge of $9,097,997 [2017 - $449,511]. The following is a breakdown of the nature of expenses included in administrative expenses for the years ended September 30, 2018 and 2017.

	2018 $	**2017 $**
Administrative expenses:		
Salaries and other employee benefits	315,585	151,974
Directors' fees and consultancy	942,667	610,426
Legal fees	918,876	297,224
Regulatory expenses	578,618	308,710
Consultancy fees	251,580	366,116
Travel and business development	385,957	50,654
Investor / public relations	219,190	136,009
Office expenses	65,309	130,726
Professional fees	131,450	78,221
Stock-based compensation	9,097,997	449,511
House of Hemp related	162,367	335,624
Global Canna Labs finders fee	257,500	-
Other administration	138,532	26,310
Total	13,465,628	2,941,505

In addition to the stock-based compensation charge, the significant increase in administration costs for the year ended September 30, 2018 compared to 2017, includes the effect of increased legal fees, regulatory expenses and director' fees, reflecting the significant fund raisings and investment activities during the reporting period. Travel and business development expenditure also increased significantly in the reporting period reflected the increased investment activities in several international jurisidictions.

During the year ended September 30, 2018, the Company incurred a finder's fee of $257,500 [2017 – Nil] in respect of the Global Canna transaction, and made a charge of $162,367 [2017 - $335,624] in respect of due diligence and other related expenses in respect to the option to invest in House of Hemp.

Realized gain on available for sale investments

During the year ended September 30, 2018, the Company divested 73,402,339 shares in Melbana, at an average price of AUD0.01, for total proceeds of AUD915,918 ($888,727), which resulted in a reduction of the Company's interest in Melbana from 4.81% as at September 30, 2017 to Nil% as at September 30, 2018. As a result, during the year ended September 30, 2018, the Company reclassified to net loss the realized gain on disposal of the shares of Melbana of AUD168,815 ($229,556) [2017 - AUD343,458 ($444,705)].

Share of losses in associates and joint ventures

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 has written down to zero its exposure to all of its investments in associates and joint ventures, with activities related to Cuba.

For the year ended September 30, 2018, the Company had no contribution from associates [2017 – loss of $69,719] and no contribution from joint ventures [2017 – loss of $81,905]. It is noted that the Company has not yet received financial statements from CLV for the period ended September 30, 2018, however, the Company has impaired in full its investment in the CLV join venture in which it has a 33% interest.

Impairment

In October 2018, the Board of Directors decided to not contribute further funding to CLV to focus resources on its portfolio of cannabis investment opportunities. Given the inherent uncertainty as to CLV obtaining sufficient further capital to further progress its business, as at September 30, 2018, the Company recognized an impairment in net loss related to its loans to the CLV JV amounting to EUR270,000 ($405,326) [2017 - $Nil] and recognized an impairment charge in the consolidated statements of (loss) related to its investment in CLV amounting to $31 2017 – $Nil].

As at September 30, 2018, in view of Etea Sicurezza's current liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors has decided to record an impairment in full of its loans to Etea Sicurezza, totaling $1,275,047 [2017 - $Nil] and also to make a provision for non-recovery of all outstanding interest and facilitation fees receivable due from Etea Sicurezza, totaling $51,996 [2017 - $Nil].

As at September 30, 2018, the Company has also impaired in full its 3% equity interest in Etea Sicurezza as at September 30, 2018, recognising an impairment charge in the consolidated statements of (loss) related to its investment in Etea Sicurezza amounting to $228,192 [2017 – $Nil].

Finance expenses

During the year ended September 30, 2018, the Company incurred finance expenses totaling $993,226 [2017 – $55,180] primarily in respect to the convertible debenture payable. During the year ended September 30, 2017, the Company incurred finance expenses totaling $55,180 in respect to the loan payable to Azonto Petroleum Ltd totalling $54,687.

Other comprehensive (loss) income

For the year ended September 30, 2018, the Company incurred other comprehensive income totalling $913,489 ($4,258,610), comprising primarily a foreign currency reclassified to profit or loss on substantive disposal of a subsidiary of a gain of 1,646,040 [2017 – $Nil] in respect of the effective dormancy of LGC Finance; a loss in respect to available for sale reserve reclassified to deficit of $522,859 [2017 - $Nil]; and realised gain on available for sale investments reclassified to profit or loss of $227,316 [2017 - $444,705].

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 loss per share $	Diluted loss per share $	Total assets $
September 30, 2018	56,219	(1,456,378)	(0.00)	(0.00)	20,737,817
June 30, 2018	23,073	(9,826,141)	(0.03)	(0.03)	21,511,201
March 31, 2018	263,567	(774,948)	(0.00)	(0.00)	22,985,234
December 31, 2017	-	(4,472,535)	(0.02)	(0.02)	6,409,165
September 30, 2017	-	(3,480,441)	(0.01)	(0.01)	2,747,280
June 30, 2017	-	(444,365)	(0.00)	(0.00)	5,422,433
March 31, 2017	-	(607,134)	(0.00)	(0.00)	6,462,141
December 31, 2016	-	(515,615)	(0.00)	(0.00)	5,688,259

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, 2018 compared with the fourth quarter ended September 30, 2017

The Company reported a net loss for the fourth quarter ended September 30, 2018 of $1,456,379 or $0.00 per common share. This compares to the net loss for the quarter ended September 30, 2017 of $3,480,441 or $0.02 per common share. The net loss for the fourth quarter enede September 30, 2018 takes into account stock-based compensation revaluation adjustment decrease of $3,306,749.

Cash Flows

Cash flows for the year ended September 30, 2018 compared with the year ended September 30, 2017

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:

	2018 $	2017 $
Cash flows from operating activities	(4,604,182)	(2,656,738)
Cash flows from investing activities	(9,161,686)	1,008,277
Cash flows from financing activities	18,324,521	3,182,270
Increase in cash	4,558,653	1,533,809
Net foreign exchange differences	(11,005)	(1,376)
Cash, beginning of year	2,018,570	486,137
Cash, end of year	6,566,218	2,018,570

Cash as at September 30, 2018 was $6,566,218 [2017 - $2,018,570], a net increase for the year of $4,558,653 (2017 - $1,533,809) over the beginning cash balance of $2,018,570 [2017 - $486,137]. During the reporting period there was a significant increase in cash inflows from financings of $18,324,521 [2017 - $3,182,270] as a result of the share placings and convertible debenture payable completed during the year. For the year ended September 30, 2018 there was a considerable increase in investing cash outflows of $9,161,686 [2017 – inflow of $1,008,277] reflecting the significant increase in investing activities during the reporting period. During the reporting period cash outflows from operating activities increased from $4,604,182 compared to the corresponding period in 2017 of $2,656,738, reflecting the significant increase and expansion of activities.

There has been no change with respect to the overall capital risk management strategy during the year ended September 30, 2018.

Cash flows for the three months ended September 30, 2018 compared with the three months ended September 30, 2017

	Fourth Quarter 2018 $	Fourth Quarter 2017 $
Cash flows from operating activities	(1,237,770)	(1,390,806)
Cash flows from investing activities	(4,039,795)	524,564
Cash flows from financing activities	773,064	2,799,300
(Decrease)/Increase in cash	(4,504,501)	1,933,058
Net foreign exchange differences	(29,653)	2,121
Cash, beginning of period	11,100,372	83,391
Cash, end of period	6,566,218	2,018,570

Cash at the beginning of the three months ended September 30, 2018 was $11,100,372 [2017 - $83,391], with a net decrease in cash for the quarter of $4,504,501 [2017 – inflow $1,933,058] due primarily to cash outflows from investing activities of $4,039,795 [2017 – inflow $524,564] and cash outflows from operating activities of $1,237,770 [Q4 2017 - $1,390,806]. During the three months ended September 30, 2018 the net cash inflows from financing was $773,064 from the exercise of warrants. For the corresponding period in 2017, the net cash inflows from financing was $2,799,300 in respect to share placements completed 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.

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, 2018, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the years ended September 30, 2018 and 2017, the Company recorded the following compensation for key management personnel and the Board of Directors:

	2018 $	**2017 $**
Directors' fees	590,314	210,440
Management fees	178,110	56,000
Stock-based compensation	6,961,037	313,008
Total	**7,729,461**	**579,448**

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

[a] On November 28, 2017, the Company finalized an agreement with the founder of the InCloud9 Group to assign the Company's 40% interest for no consideration and to write-off in full the working capital loans provided by the Company to InCloud9 Group. During the year ended September 30, 2018, the Company did not purchase any travel services from its former associate InCloud9 Group [September 30, 2017 – $20,918]. During the year ended September 30, 2018, the Company made no working capital loans to its former associate InCloud9 Group [September 30, 2017 - $97,078].

[b] On September 29, 2017, the Company executed an agreement with Groombridge Trading Corporation ("GTC") confirming the termination of the 50:50 unincorporated joint venture with GTC ("the GTC JV") and the write-off of the working capital loan provided by the Company to the GTC JV. During the year ended September 30, 2018, the Company made no working capital loans to the former GTC JV [September 30, 2017 - $100,003].

[c] On On November 14, 2017, the Company executed an agreement with Rushmans Ltd confirming the termination of the 50:50 unincorporated joint venture with Rushmans ("Rushmans JV") and the write-off of the working capital loan provided by the Company to the Rushmans JV. During the year ended September 30, 2018, the Company made no working capital loans to the former Rushmans JV [September 30, 2017 – $109,013].

[d] During the year ended September 30, 2018, 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 $Nil [2017 – $24,936].

[e] During the year ended September 30, 2018, the Company incurred fees to a number of management entities of which certain officers or directors of the Company are a related party and the total amount for such services was $352,354, which was recorded in directors' fees [2017 – $399,986]. As at September 30, 2018, an amount of $Nil [2017 – $34,010] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Capitalization

As at September 30, 2018 and February 28, 2019, there were 380,288,641 and 416,158,982 common shares of LGC Capital issued and outstanding respectively . In addition, there were stock options in respect of 62,194,400 common shares issued and outstanding, of which 61,594,400 were exercisable as at September 30, 2018. There were also warrants in respect of 49,218,314 common shares issued and outstanding as at September 30, 2018. The stock options have weighted average exercise price of $0.22 per share and expiry dates ranging from August 9, 2019 to March 31, 2022. The warrants have a weighted average exercise price of $0.36 per share and a weighted average life of 1.32 years as at September 30, 2018.

Commitments

Operating lease commitments

As at September 30, 2018, the Company had commitments under operating leases requiring annual rental payments as follows:

	Total
	$
2019	69,637
2020	17,409
Total	87,046

Guarantees

On October 10, 2017, the Company announced it had entered into an agreement with a Toronto-based investment firm whereby the Company will guarantee repayment (the "Etea Guarantee") of all of the obligations incurred by Etea Sicurezza Group Ltd ("Etea Sicurezza"), an unrelated entity, pursuant to an issuance of notes (the "Notes") by it to an unrelated party in an aggregate principal amount of USD $1,000,000 (the "Notes"). The Notes have a term of two years, maturing in August 2019, bear interest at a rate equal to LIBOR + 8%, and are secured by the assets of Etea Sicurezza and by a pledge of shares by Etea Sicurezza's principal shareholder. As consideration for the Etea Guarantee, on May 15, 2018 the Company was issued shares in Etea Sicurezza, representing 3% of its outstanding share capital. In addition, an annual fee of USD$30,000 ($37,636) is chargeable to Etea Sicurezza.

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, 2018.

The pronouncements issued but not yet effective for the year ended September 30, 2018 are disclosed under note 4 to the consolidated financial statements for the year ended September 30, 2018.

Financial Instruments Risk

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.

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

	Classification	Fair value level	September 30, 2018 Carrying value $	September 30, 2018 Fair value $	September 30, 2017 Carrying value $	September 30, 2017 Fair value $
Financial assets						
Available for sale investments	Available for sale	I	—	—	677,241	677,241
Available for sale investments	Available for sale	II	**3,652,023**	**3,652,303**	—	—
Loans receivable	Loans and receivables	II	**1,576,266**	**1,576,266**	—	—
Convertible debentures receivable	Fair value through profit and loss	III	**3,408,580**	**4,944,415**	—	—
Royalty Streams	Fair value through profit and loss	III	**4,191,739**	**6,715,559**	—	—
Loans to directors and officers	Loans and receivables	II	**362,802**	**362,802**	—	—
Financial liabilities						
Host debt component	Other liabilities	II	**2,528,720**	**2,570,077**	—	—
Embedded derivative	Fair value through profit and loss	II	**78,419**	**78,419**	—	—

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

The fair values of the convertible debentures receivable classified as Level 3, were estimated using Monte Carlo simulation models to derive a weighted average fair value for each debenture which incorporated management estimates of the probability that key conversion events will occur, included valuation estimates of any resulting royalty streams earned on conversion and which used relevant valuation metrics to estimate the expected equity value of the underlying debenture issuer under a range of likely conditions. Valuation metrics used included multiples of risk adjusted sales, valuations of funded production capacity and growing capacity, all based on published data from a basket of similar companies in cannabis sector

Credit risk

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

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

Liquidity risk

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

As at September 30, 2018, the Company had a total of $6,566,218 in cash. Accounts payable and accrued liabilities and loans payable have contractual maturities of 30 days or less and are subject to normal trade terms, and amounts due to related parties are due on demand.

Market risk analysis

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

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

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

- The consolidated statement of financial position sensitivity relates to foreign currency denominated cash, loans receivable, other receivables convertible debentures receivable and payable, AFS investments, and accounts payable and accrued liabilities.
- The sensitivity of the relevant net income (loss) is the effect of the assumed changes in foreign currency. This is based on the financial assets and financial liabilities held at September 30, 2018 and 2017.
- The impact on other comprehensive income (loss) where applicable.

Foreign exchange risk

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

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

As at September 30, 2018 the exposure of the Company to foreign exchange rates is summarized as follows:

	GBP	USD	AUD	EUR	CHF
Cash	32,509	2,824,374	257,317	25,282	—
Available for sale investments	—	—	—	150,000	—
Other receivables	—	—	—	31,589	—
Accounts payable and accrued liabilities	(11,561)	(120,420)	—	(32,152)	(18,539)
Loans receivable	—	—	—	1,050,000	—
Convertible debentures payable – host debt component	—	(2,340,000)	—	—	—
Total	20,948	363,954	257,317	1,224,719	(18,539)

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at September 30, 2018. This sensitivity does not represent the consolidated statement of comprehensive income (loss) and comprehensive income (loss) impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

If the Canadian dollar had gained or lost 5% against each of the following currencies the increase (decrease) in total comprehensive income for the year ended September 30, 2018 would have been as follows:

Fluctuation in foreign currency rate	Impact on comprehensive (loss) CAD/GBP rate $	CAD/USD Rate $	CAD/AUD rate $	CAD/EUR rate $	CAD/CHF rate $
Year ended September 30, 2018					
+ 5%	1,819	46,796	271	80,976	1,216
- 5%	(1,819)	(46,796)	(271)	(80,976)	(1,216)

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 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 it will be approved by the TSX-V or other regulatory authorities, or that any such investments will ultimately benefit the Company. The Company cannot provide assurance that investee businesses will be successful in their applications for licences not yet granted, or that existing licences will be renewed. The Company cannot provide assurance that the investee businesses will be successful in implementing their business strategies, or that they will not be adversely effected by movements in market price, cost of key inputs and foreign exchange.

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.

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.

Contingent liability

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. LGC is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

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.