LGC CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2016

As at February 27, 2016

Management's Discussion and Analysis
For the three months ended December 31, 2016
As at February 27, 2016

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of LGC Capital Ltd. ("LGC Capital") covers the three months ended December 31, 2016 and 2015. It should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of LGC Capital for the three months period ended December 31, 2016 and 2015.

The unaudited condensed interim consolidated financial statements of LGC Capital for the three months period ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

REVERSE ASSET ACQUISITION AND TAKEOVER

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

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

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

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

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

Forward-Looking Statements

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

Overview

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

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

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

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

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

Description of the Company's Business

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

Leni Gas Cuba's current investments are as follows:

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

- 12.95% interest in Melbana Energy Limited ("Melbana"), an Australian-listed Cuban oil and gas explorer which holds the highly-prospective onshore Block 9 east of Havana. The Company is Melbana's largest single shareholder. The Company's interest in Melbana was 14.76% as at September 30, 2016.

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

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

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

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

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

Management 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 will continue to be very active with LGC Capital and remains as Co-Chairman of the Board of Directors of LGC Capital.

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

Subsequent Events

During the period January 1, 2017 to February 27, 2017, the Company divested of 8,250,000 shares in Melbana at an average price of A$0.022 for total proceeds of A$181,649 ($182,891) which resulted in a reduction of the Company's interest in Melbana to 12.95% as at February 27, 2017.

Review of Investments

The quarter ended December 31, 2016 and subsequent, has been a very active time for the Company, with highlights being:

- iC9 has seen strong growth and influx of new business into 2017 with increased business from groups, and the private jet and private yacht sectors. iC9 had revenues for the quarter of $309,000, a significant increase of 18.8% over the corresponding period in 2015 of $260,000;

- Melbana, reported positive updates from their onshore Block 9 oil activities in Cuba, new oil assessments from their shallow water off-shore Beehive oil project off Western Australia and positive developments on their Tassie Shoals LNG/Methonal Project off-shore northern Australia. Notwithstanding the positive developments, the share price of Melbana declined from A$0.032 as at September 30, 2016 to A$0.019 as at December 31, 2016 resulting in a downwards revaluation of the Company's interest in Melbana of $1,895,505. The closing share price as at December 31, 2016 of A$0.019 still represents a 90% increase over the Company's entry price of A$0.01 per share;

- in October 2016, Rushmans, the Company's 50/50 partner with respect to Cuban Sport, was granted the rights by RTVC, the Commercial Enterprise of Cuban Radio and Television, to co-produce and distribute the Cuban baseball series worldwide. The deal is for four seasons, covering the Olympic cycle as Cuba's leading players compete for their clubs and for places on the National team at Tokyo 2020;

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

Cuban Travel Investment

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

iC9 revenues for the three months ended December 31, 2016 were $309,000, a significant increase of 18.8% over the corresponding quarter in 2015 of $260,000. The profit for the 3 months ended December 31, 2016 of $701 was down from the corresponding quarter in 2015 profit of $5,698, notwithstanding the significant increase in revenues, reflecting the costs expansion of the business overhead to handle growth in customer numbers, including moving into bigger offices and the recruitment of additional specialist staff.

The Company has supported the development of iC9 with working capital and additional resources to leverage it's established (but previously under-capitalized) presence in Cuba for strong future growth. iC9 is seeing further growth and an influx of new business in to 2017 with increased business coming from groups, the private jet and private yacht sectors.

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

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

Cuban Oil Investments

The Company's strategic investment in Australian listed Cuban oil explorer Melbana (previously MEO Australia Limited), has been an excellent investment for the Company with the price rising significantly from its original entry level of A$0.01 to A$0.019 as at December 31, 2016 and A$0.021 as at the date of this report. Whilst the price has declined from A$0.032 as at September 30, 2016, the Company foresees significant upside from current levels as Melbana continues to develop its Block 9 oil licence in Cuba, it's Beehive off-shore oil project in Australia and its Tassie Shoals LNG/Methanol Project in Australia.

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

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

On February 1, 2017, Melbana announced an update on its Cuban Block 9 onshore oil acreage. Melbana's press release dated February 1, 2017 is available on its web site at www.melbana.com, under "Recent Announcements". Reader should note that the Company has not made any independent inquiries as to the accuracy or completeness of the press release issued by Melbana and the Company assumes no responsibility for the contents thereof. The press release issued by Melbana refers to "prospective resources" in connection with that company's onshore Block 9 PSC located along trend from the Varadero oil field. The Company assumes that such reference was made in accordance with applicable Australia regulations but is not able to so confirm. Further, the Company is not able to confirm whether applicable Australian regulations are equivalent to those in the Canadian Oil and Gas Evaluation (COGE) Handbook and *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities* (NI 51-101). The disclosure in the Melbana press release does not comply with NI 51-101 or the guidelines of the COGE Handbook. Readers and investors are cautioned to take all of the foregoing into consideration when reading the press releases issued by Melbana, particularly any references to "prospective resources".

During the three-months ended December 31, 2016, the Company divested of 9,046,943 shares in Melbana at an average price of A$0.026 for total proceeds of A$230,900 ($231,764) which resulted in a reduction of the Company's interest in Melbana from 14.76% on September 30, 2016 to 13.81% at December 31, 2016. During the three-months ended December 31, 2016, the Company recognized a gain on disposal of shares of Mebana of $154,382. The closing share price of Melbana as at December 31, 2016 was A$0.019, down from A$0.032 as at September 30, 2016. As a result, during the three months ended December 31, 2016, the Company recorded a decrease in value of its investment in Melbana of A$1,711,705 ($1,690,153).

The Company's underlying interest in Block 9 in Cuba is significantly increased through the Company's 14% shareholding in Petro Australis, which holds a conditional 40% back-in option in to Block 9. The Company acquired 10,961,667 ordinary shares in Petro Australis at an average of A$0.15 per share, which on acquisition in July/August 2015 represented a 15% interest. In August 2016, Petro Australis completed an equity raising at A$0.20 per share, diluting the Company's interest in Petro Australis to 14.0%, as at December 31, 2016.

Cuban Sport Joint Venture

The Company's 50/50 unincorporated joint venture with Rushmans Ltd ("the Rushmans JV") in respect to Cuban sport achieved significant progress during the period.

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

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

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

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

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

The prestigious Cuba National Baseball Series, which has been the launch-pad for many stellar international sports careers, is available to a global audience for the first time. Many of the best

Baseball players in the world are Cuban and the talent emanating from Cuba will now be seen on the world stage. The Second Phase and Playoffs of this season are to be distributed and commercialized by Rushmans and through their appointed agents Pitch International.

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

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

Coffee Investment

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

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

In December 2016, the Company participated in a rights issue by the Cuba Mountain Coffee Company Limited for an investment of £11,200 ($18,635) that maintained its interest of 10.14%.

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

Cuban Import & Export Joint Venture

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

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

The GTC JV is assisting GTC with its significant pipeline of opportunities for imports for the hotels and tourism sector. In addition to supporting the growth of GTC's current trading activities, the GTC JV will also work with GTC to develop a number of agricultural projects and initiatives currently under negotiation in country and assist with new export orders of agricultural products to Europe and Canada.

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

Cuba Professionals Inc.

In March 2016, the Company acquired a 49% interest in Cuba Professionals Inc. ("Cuba Professionals") a private company incorporated in Panama to provide human resources and consulting services in Cuba. Pursuant to the binding term sheet signed between Leni Gas Cuba and Cuba Professionals, the Company subscribed for new ordinary shares representing 49% of Cuba Professionals' equity in consideration of EUR180,000 ($265,573), payable in instalments over a nine month period. During the year ended September 30, 2016, the Company impaired in full its investment in Cuba Professionals and on December 7, 2016, Leni Gas Cuba terminated its agreement with Cuba Professionals.

Outlook

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

Financial Information

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 $
December 31, 2016	-	(515,615)	(0.00)	5,688,259
September 30, 2016	-	(3,316,850)	(0.01)	8,054,540
June 30, 2016	-	(1,164,758)	(0.01)	5,744,588
March 31, 2016	-	(749,749)	(0.01)	6,589,634
December 31, 2015	-	(2,630,169)	(0.01)	7,226,659
September 30, 2015	-	(97,682)	(0.00)	8,366,291
June 30, 2015	-	-	(0.00)	232,164
March 31, 2015	-	-	(0.00)	-

Three months ended December 31, 2016 compared with the three months ended December 31, 2015

	3 months ended December 31, 2016 $	3 months ended December 31, 2015 $
Revenue	-	-
Net loss	(515,615)	(2,630,169)
Other comprehensive loss	(2,128,444)	(53,242)
Net loss and comprehensive loss	(2,644,059)	(2,683,411)
Basic and diluted loss per share	(0.00)	(0.01)

The Company reported a net loss for the three months ended December 31, 2016 of $515,615 compared to a net loss of $2,630,169 for the three months ended December 31, 2015. The significant difference primarily reflects the stock based compensation $1,140,631 and UK listing expenses of $712,423 incurred in the quarter ended December 31, 2015.

During the three-months ended December 31, 2016, the Company recognized a gain on disposal of shares in Melbana of $154,382 (2015: nil).

Administration expenses for the three months ended December 31, 2016 amounted to $655,845, compared to $2,630,685 for the three months ended December 31, 2015.

	3 months ended December 31, 2016 $	3 months ended December 31, 2015 $
Administration expenses:		
Salaries and other employee benefits	**19,079**	—
Directors' fees and consultancy	**146,367**	107,016
Legal fees	**38,138**	99,002
Regulatory expenses	**63,499**	712,423
Consultancy fees	**224,264**	537,535
Travel and business development	**28,864**	55,172
Investor / public relations	**8,696**	2,833
Office expenses	**52,460**	2,934
Professional fees	**15,950**	—
Stock-based compensation - warrants (note 7(d))	**—**	91,579
Stock-based compensation – stock options (note 7(d))	**45,334**	1,013,925
Other administration	**13,194**	8,266
Total	**655,845**	2,630,685

For the three months ended December 31, 2016, the share of net profit from associates was $280 (2015: $2,264) and the share of losses from joint ventures was $16,446 (2015: nil), resulting from the addition of the contribution from the Rushmans Joint Venture.

During the three months ended December 31, 2016, the Company recognised a gain of $154,382 on the divestment of 9,046,943 shares in Melbana at an average price of A$0.026 for total proceeds of A$230,900 ($231,764).

During the three months ended December 31, 2016, the Company had other comprehensive loss of $2,128,444 (2015: Nil), comprising a decrease in the value of available for sale investments of $1,690,153 (2015: Nil), realised loss on available for sale investments of 205,352 (2015: nil) and foreign exchange loss of $232,939 (2015: $53,242). The decrease in the value of available for sale investments is due to the reduction of the price of Melbana shares from A$0.032 as at September 30, 2016 to A$0.019 as at December 31, 2016 resulting in a reduction in value of the Company's investment in Melbana of A$1,711,705 ($1,690,153).

Cash Flows

Cash flows for the three months ended December 31, 2016 compared with the three months ended December 31, 2015

	3 months ended December 31, 2016 $	3 months ended December 31, 2015 $
Cash flows from operating activities	(482,614)	(1,729,086)
Cash flows from investing activities	213,129	-
Cash flows from financing activities	-	381,629
(Decrease)/Increase in cash	(269,485)	(1,347,457)
Net foreign exchange differences	(10,003)	(120,004)
Cash, beginning of period	486,137	6,625,748
Cash, end of period	206,649	5,158,287

Cash at the beginning of the reporting period on October 1, 2016 was $486,137, with the closing cash position on December 31, 2016 being $206,649. This decrease is due primarily to net cash outflows associated with operating activities described above.

Liquidity and Capital Resources

Liquidity risk comes from the Company's general funding needs and in the management of its assets and liabilities. The Company manages liquidity risk to keep sufficient liquid financial resources to fund its balance sheet and meet its commitments and obligations in the most cost-effective way. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. The Company's main sources of funding are equity and debt markets, private placements and outstanding stock options. The Company has no outstanding debt facility upon which to draw.

Management of Liquidity

Managing liquidity requires constant monitoring of projected cash inflows and outflows using forecasts of the Company's financial position for purposes of ensuring adequate and efficient use of cash resources. The adequate liquidity level is established based on historical volatility and seasonal requirements as well as on planned investments.

As December 31, 2016, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the three months ended December 31, 2016 and 2015, the Company recorded the following compensation for key management personnel and the Board of Directors:

	3 months ended December 31, 2016 $	**3 months ended December 31, 2015 $**
Directors' fees	59,763	107,016
Stock-based compensation	-	665,281
Total	**59,763**	**772,297**

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

(a) During the three-months ended December 31, 2016, the Company purchased travel services from its associate, InCloud9. During the three-months ended December 31, 2016, the total amount charged to administration expenses in respect of such services amounted to $10,449 [2015: $17,508].

(b) During the three-months ended December 31, 2016, the Company made working capital loans to the its 40% owned associate, InCloud9 in the amount of $59,932 [2015: $40,245].

(c) During the three-months ended December 31, 2016, the Company made working capital loans to the 50:50 unincorporated joint venture with Groombridge Trading in the amount of $12,423 [2015: $132,646].

(d) During the three-months ended December 31, 2016, the Company made working capital loans to the 50:50 unincorporated joint venture with Rushmans Ltd in the amount of $29,011 [2015: nil].

(e) During the three-months ended December 31, 2016, the Company incurred fees to a number of management entities of which certain officers or directors of the Company are a related party. For the quarter ended December 31, 2016, the total amount for such services was $86,604, which was recorded in directors fees [2015: nil]. As at December 31, 2016, an amount of $84,467 [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 February 27, 2017 there were 234,045,310 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 38,982,679 common shares issued and outstanding, and warrants in respect of 1,976,000 common shares issued and outstanding. On December 7, 2017, LGC Capital and Jeremy Edelman entered into an agreement to cancel 2,000,000 options held by Mr. Edelman.

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

Commitments

As at December 31, 2016, the Company had commitments under operating leases requiring annual rental payments as follows:

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

Off-Balance Sheet Arrangements

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

Critical Accounting Judgments and Estimates

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

Changes in Significant Accounting Policies

The Company's significant accounting policies are disclosed under note 3 to the consolidated financial statements for the year ended September 30, 2016.

New standards, interpretations and amendments adopted by the Company

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

IAS 34 Interim Financial Reporting

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

Risk Factors and Risk Management

Reference is made to the section entitled "Risk Factors and Risk Management" of LGC Capital's Management's Discussion and Analysis for the fiscal year ended September 30, 2016 for a discussion of the risk factors applicable to the Company and its business. The Management's Discussion and Analysis of LGC Capital for the fiscal year ended September 30, 2016 is available under LGC Capital's profile on SEDAR at www.sedar.com.

Additional Information

Additional information relating to the Company, including the most recent Company filings, is available under the Company's profile on the *System for Electronic Document Analysis and Retrieval* at www.sedar.com.