# LGC CAPITAL LTD.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the three months ended December 31, 2018

**As at March 11, 2019**

# Management's Discussion and Analysis
# For the three months ended December 31, 2018
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The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of LGC Capital Ltd. ("LGC Capital" or the "Company") covers the three months ended December 31, 2018 and 2017. It should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of LGC Capital for the three months ended December 31, 2018 and 2017.

The unaudited condensed interim consolidated financial statements of LGC Capital for the three months ended December 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted. Certain dollar amounts in this MD&A are expressed in United States dollars ("USD"), Australian dollars ("AUD"), Euros ("EUR") and Swiss Franc ("CHF").

## 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 March 11, 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. 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 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:**

- **Little Green Pharma Limited (formerly Habi Pharma Pty Ltd)("Little Green Pharma"):** 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 14.06% interest as at December 31, 2018. The Company acquired its holding in Little Green Pharma in several tranches at a total cost of $3,840,899. 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 also entered into an agreement with Evolution for a 5% royalty on the net sales of Evolution. As at December 31, 2018, the Company had advanced funding of EUR1,535,000 ($2,398,756) 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). 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 (10) years, for the deemed consideration of CHF3,000,000 through the issue of 35,167,001 shares in the Company valued at $3,868,370.

## Investment and Other Activities

**Tricho-Med (Quebec, Canada)**

On January 8, 2018, the Company announced that it had finalized a transaction with Quebec based 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 (4) years, maturing on December 21, 2021, and is secured by first-ranking security on all of Tricho-Med's assets.

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.

During the three months ended December 31, 2018 the amounts drawn down under the Tricho-Med Debenture totaled $2,123,597 [December 31, 2017 - $Nil] bringing the total amounts drawn down to $3,874,461 [September 30, 2018 - $1,750,864].

**Global Canna (Jamaica)**

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.

Global Canna holds a Tier 3 cultivation license from the Jamaican Cannabis Licensing Agency, which 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 in July 2018, 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.

As at December 31, 2018, the GCL Debenture was fully drawn down with total consideration paid amounting to $5,591,558, [September 30, 2018 - $5,591,558].

**Little Green Pharma (Australia)**

The Company holds 9,783,495 shares in Little Green Pharma, representing a 14.06% interest as at December 31, 2018 [14.21% - September 30, 2018]. The Company acquired its holding in Little Green Pharma in several tranches between October 2017 and February 2018 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 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.

As at December 31, 2018, the fair value of the investment in Little Green Pharma was determined to be AUD0.40 per share [September 30, 2018 – 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 $3,672,170 [September 30, 2018 - $3,652,023]. For the three months ended December 31, 2018, the movement in the fair value of the Company's investment in Little Green Pharma amounted $110,147 [December 31, 2017 – $Nil] which related entirely to movements in foreign currency rates.

On February 8, 2018, Little Green Pharma became a public company and changed its name from Habi Pharma Pty Ltd to Little Green Pharma Limited

**Evolution Group (Italy)**

Evolution'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 will be legal low THC (0.2% THC by Italian law).

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.

The completion of the Evolution Debenture transaction is subject to condition precedent, including TSX-V approval. If the Conditions are not complied with and the transaction is therefore not approved, the features of the financial instruments will then be those of a plain vanilla loan bearing interest at 10% and repayable in full.

As at December 31, 2018, uncertainties with respect to the compliance with the Conditions were still unresolved and therefore, this financial instrument continues to be accounted for as a plain vanilla loan.

As at December 31, 2018, amounts drawn down under the Evolution Debenture totaled EUR1,535,000 ($2,398,756) [September 30, 2018 - EUR1,050,000 ($1,576,666)].

**Viridi (Switzerland)**

On December 12, 2018, the Company announced that it had 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. For the three months ended December 31, 2018, the Company incurred a charge of $201,608 in respect to this finder's fee.

During the reporting period ended December 31, 2018 the Company's share of Viridi's earnings amounted to $1,272 [2017 –$Nil].

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

CLV Frontier Brands Pty Ltd ("CLV") is an incorporated joint venture in which the Company, Creso Pharma Limited and Baltic Beer Company Ltd (UK) each have a one-third interest. CLV has the objective of developing and marketing bespoke beers containing terpenes, which carry the flavour and aroma of cannabis, but do not contain THC or CBD or any other cannabinoids. The terpenes used in CLV's beer do not contain cannabis or hemp ingredients either.

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 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, in the year ended September 30, 2018, the Company recognized an impairment charge in the consolidated statements of (loss) related to its investment in CLV amounting to $31 and [2017 – $Nil] and recognized an impairment in net loss related to its loans to the CLV JV amounting to EUR270,000 ($405,326). .

In the three months ended December 31, 2018, the Company recognized an impairment charge in the consolidated statements of (loss) related to its investment in CLV amounting to $3,267 [2017 – $Nil] which related entirely to movements in foreign currency rates.

**Etea Sicurezza Group**

Based in London, England, Etea Sicurezza Group Ltd ("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 leader in the field of high-tech safety. Etea Sicurezza operates as an EPC (Engineering, Procurement and Construction) contractor implementing safety systems, and provides proprietary and patented technologies that are customized and fully compliant with international standards.

On 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, pursuant to an issuance of 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, the Company provided loans to Etea Sicurezza totalling EUR849,348 ($1,275,047). The Company is supportive of Etea Sicurezza's future business prospects and intends to convert its loans into equity in Etea Sicurezza. However, 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 and also to make a provision for non-recovery of all outstanding interest and facilitation fees receivable due from Etea Sicurezza, totaling $51,996. The Company 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.

As at December 31, 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 determined the fair value of the Company’s 3% equity and loan exposure to Etea Sicurezza continues to be $Nil [September 30, 2018 - $Nil].

During the three months ended December 31, 2018, a total of $31,734 related to Etea guarantee fees has been transferred from deferred revenue and recorded in revenues in the condensed interim consolidated statement of loss [2017 - $Nil].

**Investment in EasyJoint (Italy)**

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 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.

Definitive documentation will be submitted to the TSX-V and closing of this transaction is subject only to TSX-V review and approval.

**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.

**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 24, 2019, the Company announced that it had received a binding commitment from Arlington Capital Inc., ("Arlington") a private London based investment company for a private placement of 80,000,000 common shares in the capital of LGC Capital at a price of $0.10 per share for aggregate proceeds of $8,000,000 ("the Arlington Placement").

Closing of the Arlington Placement is subject to customary closing conditions including, but not limited to, approval from the TSX Venture Exchange. On closing of the Arlington Placement, the Company will pay a 3% finder's fee to an arms-length third party. Upon closing of this private placement, Arlington Capital will become an insider as they will hold a greater than 10% in LGC Capital and will be entitled to appoint a representative to its board of directors.

**Loan Agreement for $1,500,000**

On February 5, 2019, the Company executed a loan agreement with Arlington for an unsecured loan of $1,500,000 for a period of three months, with interest of 12% per annum, payable quarterly. The loan is to be used for working capital purposes and is to be repaid on completion of the Arlington Placement.

**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 be 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.

**Tricho-Med Debenture**

Subsequent to December 31, 2018, the balance of the $4,000,000 Tricho-Med Convertible Debenture of $2,322,219 was drawn down in full.

**Evolution Debenture**

On January 30, 2019, the Company made a further advance under the Evolution Debenture of EUR280,000. 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.

**OTCQB Trading**

On March 4, 2019, the Company received approval to begin trading on the OTCQB Exchange as from that date, trading under the symbol LGGCF. The OTCQB is part of the OTC marketplace, an American financial market providing price and liquidity information for circa 10,000 US and global over-the-counter (OTC) securities. Investors can find current financial disclosure and Real-Time level 2 quotes for the Company on www.otcmarkets.com. LGC Capital continues to trade on its primary exchange of the TSX-V.

## Financial Information

**Selected Financial Information**

The following table summarizes selected financial information of LGC Capital for the three months ended December 31, 2018 and 2017.

| | As at December 31, 2018 $ | As at December 31, 2017 $ |
|---|---|---|
| Net loss | (1,910,030) | (4,472,535) |
| Basic and diluted net loss per share | (0.00) | (0.02) |
| Total assets | 23,527,485 | 6,409,165 |

***Three months ended December 31, 2018 compared with the three months ended December 31, 2017***

LGC Capital reported a net loss of $1,910,030 or $0.00 per common share for the three months ended December 31, 2018, compared to a net loss of $4,472,535 or $0.02 per common share for the three months ended December 31, 2017. The decrease in the loss in was driven primarily by the significantly lower stock-based compensation expense compared to the corresponding period in 2017.

***Administrative expenses***

Total administrative expenses in the three months ended December 31, 2018 were $1,693,743 compared to $4,599,893 in the three months ended December 31, 2017, the reduction due primarily to significantly lower stock-based compensation charge of $22,648 [2017 - $3,871,335] in respect of the issue of options.

| | **Three months ended December 31,** | |
|---|---|---|
| | **2018**<br>**$** | **2017**<br>**$** |
| **Administrative expenses:** | | |
| Salaries and other employee benefits | **171,855** | 36,822 |
| Directors' fees and consultancy | **240,885** | 142,908 |
| Legal fees | **361,587** | 158,696 |
| Regulatory expenses | **97,553** | 136,916 |
| Consultancy fees | **263,230** | — |
| Travel and business development | **179,116** | 21,000 |
| Investor / public relations | **60,045** | 38,450 |
| Office expenses | **32,888** | 61,737 |
| Professional fees | **30,379** | 4,176 |
| Stock-based compensation | **22,648** | 3,871,335 |
| Finder's fee | **210,608** | — |
| House of Hemp | — | 70,707 |
| Tricho-Med option expense | — | 50,000 |
| Other administration | **31,949** | 7,146 |
| **Total** | **1,693,743** | 4,599,893 |

Excluding the stock-based compensation charge, the administrative expenses for the three months ended December 31, 2018 was $1,671,095 compared to $728,558 for the three months ended December 31, 2017. This reflects the significant increase in investment activities across several countries during the three months ended December 31, 2018 compared to the corresponding period in 2017.

During the three months ended December 31, 2018, the Company incurred a finder's fee of $201,608 [2017 – $Nil] in respect of the Viridi transaction.

During the three months ended December 31, 2017, the Company made a charge of $70,707 in respect of Company's exclusive option to acquire, along with its joint venture partner, a 60% interest in South Africa's House of Hemp, and a charge of $50,000 in respect of the Tricho-Med option.

***Realized gain on available for sale investments***

As a result of the divestment of shares in Melbana in the year ended September 30, 2018, during the three months ended December 31, 2018, the Company did not hold or trade any share of Melbana and recognized $Nil gain on disposal of shares of Melbana [2017 – gain of AUD$114,673 ($154,763)],

***Share of profits in associates***

For the three months ended December 31, 2018, the Company's share of profits in associates amounted to $1,271 [2017 – $Nil] in respect of the Company's 30% equity interest in Viridi, which was completed on December 12, 2018.

***Finance expenses***

During the three months ended December 31, 2018, the Company incurred finance expenses totaling $412,888 [2017 – $Nil] primarily in respect to the convertible debenture payable.

***Other comprehensive (loss) income***

During the three months ended December 31, 2018, the Company incurred other comprehensive income totalling $33,806 [2017 – income of $172,274] comprising a foreign exchange loss on translation of foreign subsidiaries of $33,806 [2017 – gain of $21,829], an increase in the value of available for sale investments of $Nil [2017 – increase of $305,208], and the reclassification to net loss of the realized gain on available for sale investments of $Nil [2017 – $154,763].

## 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 $ |
|---|---|---|---|---|---|
| December 31, 2018 | 246,362 | (1,910,030) | (0.00) | (0.00) | 23,527,485 |
| 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 |

The Company did not pay any dividends during the three months ended December 31, 2018. 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.

## Cash Flows

***Cash flows for the three months ended December 31, 2018 compared with the three months ended December 31, 2017***

| | 3 months ended December 31, 2018 $ | 3 months ended December 31, 2017 $ |
|---|---|---|
| Cash flows from operating activities | (1,555,239) | (950,652) |
| Cash flows from investing activities | (2,265,584) | (893,171) |
| Cash flows from financing activities | 171,654 | 3,290,634 |
| (Decrease)/Increase in cash | (3,649,169) | 1,446,811 |
| Net foreign exchange differences | (204) | 7,442 |
| Cash, beginning of period | 6,566,218 | 2,018,570 |
| Cash, end of period | 2,916,845 | 3,472,823 |

Cash at the beginning of the three months ended December 31, 2018 was $6,566,218 [2017 - $2,018,570], with a net decrease in cash for the quarter of $3,649,169 [2017 – inflow $1,446,811] resulting from cash outflows from operating activities of $1,555,239 [2017 - $950,652], cash outflows from investing activities of $2,265,584, and cash inflows from financing activities of $171,654 [2017 – inflow $3,290,634]. In the three months ended December 31, 2017, the Company completed a private placement raising a total of $3,730,773 before expenses.

There has been no change with respect to the overall capital risk management strategy during the three months ended December 31, 2018.

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

**Related Party Transactions**

During the three months ended December 31, 2018 and 2017, the Company recorded the following compensation for key management personnel and the Board of Directors:

| | **3 months ended December 31, 2018 $** | **3 months ended December 31, 2017 $** |
|---|---|---|
| Directors' fees | 70,470 | 46,900 |
| Management fees | 154,141 | 24,000 |
| Stock-based compensation | 14,155 | 2,352,958 |
| **Total** | **238,766** | 2,426,858 |

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

[a] During the three months ended December 31, 2018, the Company incurred fees to a number of management entities of which certain officers or directors of the Company are a related party. For the three months ended December 31, 2018, the total amount for such services was $170,416, which was recorded in directors' fees [December 31, 2017 – $93,008]. As at December 31, 2018, an amount of $Nil [September 30, 2018 – $Nil] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

## Capitalization

As at December 31, 2018 and March 11, 2019, there were 416,158,982 common shares of LGC Capital issued and outstanding. In addition, there were stock options in respect of 56,694,400 common shares issued and outstanding, of which 56,294,400 were exercisable as at December 31, 2018. There were also warrants in respect of 49,218,314 common shares issued and outstanding as at December 31, 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 1.07 years as at December 31, 2018.

## Commitments

### *Operating lease commitments*

As at December 31, 2018, the Company had commitments under operating leases requiring annual rental payments as follows: 2019 - $52,228; and 2010 - $17,409, for a total of $69,637.

## 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 , an unrelated entity, pursuant to an issuance of 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 of 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

The Company's financial instruments risk are disclosed under note 14 of LGC Capital's condensed interim consolidated financial statements for the three months year ended December 31, 2018.

## 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, 2018 for a discussion of the financial instruments risk applicable to the Company and its business. The Management's Discussion and Analysis of LGC Capital for the fiscal year ended September 30, 2018 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.