LGC CAPITAL LTD.

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three and six months ended March 31, 2019

As at May 30, 2019

Management's Discussion and Analysis
For the three and six months ended March 31, 2019
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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 and six months ended March 31, 2019 and 2018. It should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of LGC Capital for the three and six months ended March 31, 2019 and 2018.

The unaudited condensed interim consolidated financial statements of LGC Capital for the three and six months ended March 31, 2019 and 2018 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 invest 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 by 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 May 30, 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 49% of Tricho-Med's then-issued and outstanding shares on it obtaining a cannabis cultivation license from the relevant regulatory authorities. Upon conversion to equity, LGC will also be entitled to receive a 5% royalty on Tricho-Med's net sales. In the event that Tricho-Med does not complete an initial public offering ("IPO") within 12 months of having obtained a sales license, the Company will receive a 54% equity interest in Tricho-Med. To date, LGC has disbursed the full amount of the $4,000,000. Tricho-Med is in the final stages of completing construction and fitting out 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. At the time of this MD&A, the construction of Tricho-Med's facility, including the exterior and much of the interior along with electrical, and heating and cooling systems, was completed and the security system fully installed and operational.

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 per cycle. 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 at Global Canna's facility has since extended to over 16,000 cannabis plants in both its greenhouse and outdoor components. On March 23, 2019, the Company and Global Canna mutually agreed in writing that the $2,500,000 secured debenture be converted into 30% of the then issued shares in Global Canna with immediate effect. The formalities of conversion are underway. On April 4, 2019, LGC announced that Global Canna had commenced selling their high-THC medical cannabis in the Jamaican market. An initial amount of approximately 46.5 kilograms of dried medical cannabis products were sold to local dispensaries which has led to subsequent and growing sales orders.

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 March 31, 2019. 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. As at May 14, 2019, Little Green Pharma had acquired over 400 medical cannabis patients in Australia's fast-growing medical cannabis program. In addition to Australia, Little Green Pharma has distribution agreements set up with companies in the UK, Germany, Canada and New Zealand. Post balance sheet date, on May 22, 2019, the Company announced it had entered into a conditional agreement to acquire a significant shareholding in Little Green Pharma that would increase its interest to 40.4%.

Italy:

- **Evolution Group:** On August 13, 2018, the Company entered into the debenture indenture with 9379-1432 Québec Inc. ("QuebecCo"), the Canadian incorporated parent company of Evolution BNK and Evolution ATM (collectively "Evolution") and their principals, to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest in QuebecCo upon the successful completion of an IPO (the Evolution Debenture"). On August 13, 2018, the Company also entered into an agreement with Evolution for a 5% royalty on the net sales of Evolution. Evolution is establishing a new cannabis production facility and lab in a retrofitted 70,000 square foot site in Pavia, Italy. As at March 31, 2019, the Company had advanced funding of EUR2,115,000 ($3,171,134) pursuant to the Evolution Debenture. TSX-V approval has been obtained and conditions precedent to closing were satisfied in the period to March 31, 2019.

- **EasyJoint Project SRL ("EasyJoint")**: Easy Joint 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, when finalized, be submitted to the TSX-V for its approval.

- **Freia Farmaceutici Srl ("Freia"):** Post the balance sheet date, on May 16, 2019, the Company announced that it has entered into an investment agreement to acquire a 35% equity interest in the hemp-focused Italian pharmaceutical company, Freia, for a total cash consideration of EUR 3,214,000 ($4,847,033) to be paid in three installments over the course of ten months. Freia is currently the only company in Italy, and one of few in Europe with EFSA approved hemp-based pharmaceutical products. Freia currently has 6 products on the market; a further 8 have been authorized and will be launched in 2019. As at the date of this report, the standard closing conditions and final acceptance by the TSX-V had been cleared, and the Company had completed the first tranche of EUR1,000,000 and appointed members to Freia's board of directors.

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. 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 for 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 costs of electricity in Canada at just under $0.04 per kilowatt hour giving Tricho-Med a natural cost advantage over other indoor production facilities in Canada.

At the time of this MD&A, the construction of Tricho-Med’s facility, including the exterior and much of the interior along with electrical, and heating and cooling systems, was completed and the security system fully installed and operational. All production materials and operation flow designs are built to be in full compliance with EU-GMP standards

During the three and six months ended March 31, 2019 the amounts drawn down under the Tricho-Med Debenture totaled $125,539 and $2,249,136, respectively [March 31, 2018 - $Nil and $Nil, respectively] bringing the total amounts drawn down to $4,000,000 [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 an initial 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 the 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 March 31, 2019, the GCL Debenture was fully drawn down with total consideration paid amounting to $5,591,558, [September 30, 2018 - $5,591,558].

On April 4, 2019, LGC announced that Global Canna Labs had begun selling their high-THC medical cannabis in the domestic Jamaican market with approximately 46.5 kilograms of dried medical cannabis products sold to the local dispensaries.

Little Green Pharma (Australia)

The Company holds 9,783,495 shares in Little Green Pharma, representing a 14.06% equity interest as at March 31, 2019 [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.

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.

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 March 31, 2019, the fair value of the investment in Little Green Pharma was assessed as AUD0.40 per share [September 30, 2018 – AUD0.40 per share], representing a balance of investment of $3,701,950 [September 30, 2018 - $3,652,023]. For the three and six months ended March 31, 2019, the movement in the fair value of the Company's investment in Little Green Pharma amounted ($60,221) and $49,926, respectively [March 31, 2018 – $Nil and $Nil, respectively] which related entirely to movements in foreign currency rates.

As at May 14, 2019, Little Green Pharma had acquired over 400 medical cannabis patients in Australia's fast-growing medical cannabis program and in addition to Australia, Little Green Pharma has distribution agreements set up with companies in the UK, Germany, Canada and New Zealand.

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 QuebecCo, 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 March 31, 2019, amounts drawn down under the Evolution Debenture totaled EUR2,115,000 ($3,171,134) [September 30, 2018 - EUR1,050,000 ($1,576,666)]. TSX-V approval was obtained and conditions precedent to closing were satisfied in the period to 31 March 2019.

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 and six months ended March 31, 2018, the Company incurred a charge of $Nil and $201,608 respectively, in respect to this finder's fee.

During the three and six months ended March 31, 2019 the Company's share of Viridi's losses amounted to $180,374 and $179,102, respectively [2018 –$Nil and $Nil, respectively].

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 had 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).

During the three and six months ended March 31, 2019, the Company loaned an additional $71,080 for closing costs associated with the winding up of CLV and recognized a further impairment of $70,665.

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) to provide working capital support towards the growth of the business. However, as at September 30, 2018, in view of Etea Sicurezza's current weakened liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors 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.

In the three and six months ended March 31, 2019, the Company recognized a further impairment charge related to loan movements amounting to $56,203 and $59,470, respectively [2018 – $Nil and $Nil, respectively], interest earned and a corresponding provision for doubtful debts totalling $22,160 and $45,820, respectively [2018 – $Nil and $Nil, respectively] in the condensed interim consolidated statement of loss in respect of these loans.

During the three and six months ended March 31, 2019, a total of $31,734 and $63,468, respectively related to Etea guarantee fees has been transferred from deferred revenue and recorded in revenues in the condensed interim consolidated statement of loss [2018 - $Nil and $Nil, respectively].

As at March 31, 2019, in view of Etea Sicurezza's continued challenging liquidity position, lack of visibility on finances and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors deemed it prudent to provide for a possible demand from the lender to satisfy the Etea Guarantee. As a result, during the three and six months ended March 31, 2019, the Company recognized a provision of $1,334,950 for the three and six months ended March 31, 2019.

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.

Freia Farmaceutici Srl.

On October 23, 2018, the Company entered into a Letter of Intent with Freia for a proposed investment of up to EUR3,214,000 for up to a 35% interest in the share capital of Freia ("the Freia Investment"). The Freia Investment was subject to the execution of Definitive Agreements and normal closing conditions and review and approval by TSX-V. Pursuant to the Letter of Intent, the Company paid a non-refundable deposit ("the Freia Deposit") of EUR100,000 ($150,307), that was to be applied to monies payable by the Company on completion of the Freia Investment.

On January 30, 2019 the Company entered into an agreement with Freia for the provision of an unsecured, interest free loan to Freia of EUR150,000 ($228,665) for a period of 3 months ("the Freia Loan"). The Freia Loan was to be applied towards the completion of the Freia Investment.

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.

Private placement from London based Arlington Capital Inc.

On January 23, 2019 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 was subject to customary closing conditions including, but not limited to, approval from the TSX-V. On closing of the Arlington Placement, the Company would pay a 3% finder's fee to an arms-length third party. Upon closing of this private placement, Arlington Capital would become an insider as they would hold greater than 10% in LGC Capital and be entitled to appoint a representative to its board of directors. On April 24, 2019, LGC announced that it obtained conditional approval from the TSX-V to increase the Arlington financing to $10.4 million at $0.10 per share. The first tranche of $8.0 million at $0.10 of the $10.4 million private placement from Arlington was closed on May 2, 2019.

Loan Agreement for $2,0000,000

On February 5, 2019, the Company executed a loan agreement with Arlington for an unsecured loan of $2,000,000 for a period of three months, with interest of 12% per annum, payable quarterly. The loan was used for working capital purposes and was repaid on completion of the first tranche of $8 million 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 had closed the 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 were 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 USD$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.

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.

Oriah Botanicles

On March 12, 2019 the Company entered into an agreement with Oriah Botanicles Pty Ltd ("Oriah") pursuant to which the Company provided Oriah with an unsecured, interest free loan of USD$150,000 ($199,768) for a period of 12 months.

The Oriah loan is carried at its present value and on initial recognition a discount on fair valuation of the Oriah loan totalling $33,650 was recognised in the condensed interim consolidated statement of loss under finance expense.

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.

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

Grant of options

On April 3, 2019, the Company announced that it had granted stock options to purchase a total of 8,250,000 common shares of the Company to certain of its officers, employees and consultants. All of these options are exercisable at a price of $0.10 per share. The options have a term of five years and are subject in all respects to the terms of the Company's option plan and the requirements of the TSX-V.

Company Officers and other Appointments

On April 3, 2019, the Company announced:

- that Mr. John McMullen stepped down as Chief Executive Officer ("CEO") and remains President of LGC Capital;
- that Mr. Mazen Haddad had been appointed CEO at LGC Capital;
- the resignation of Anthony Samaha as Chief Financial Officer ("CFO") and the appointment of Mark Shinners as the new CFO;
- that Mr. Richard Widmann had been appointed Executive Vice President of Commercial;
- that Mervyn Koenen had been appointed Vice President of Commercial Finance;
- that Jeanne van Wyk had been appointed Vice President of Communications; and
- that Alistair Hide had been appointed Vice President of Corporate and Regulatory Affairs.

Arlington Private Placement

On May 2, 2019, the Company announced that it closed the first tranche of $8.0 million of its $10.4 million non-brokered private placement financing with Arlington. The Company issued a total of 80,000,000 commons shares at an issue price of $0.10 per share for gross proceeds of $8,000,000. The shares issued to Arlington are subject to a four-month hold period. The second tranche of the private placement is expected to close shortly. Subsequent to closing, Arlington became a related to the Company.

Extension of warrants

On May 16, 2019 The Company announced that it will be applying to the TSX-V for approval to extend the expiry date of an aggregate of 24,871,822 outstanding common share purchase warrants (the "Warrants") that were issued in connection with a private placement which closed in December 2017, as further described in LGC's press releases dated December 1 and December 7, 2017. Each Warrant entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of $0.25 per share. A total of 19,871,822 of the Warrants currently have an expiry date of June 1, 2019, and 5,000,000 of the Warrants currently have an expiry date of June 7, 2019. The Company is proposing to extend the expiry date of all of the Warrants to December 1, 2019.

All other terms of the Warrants will remain the same, including the acceleration option which allows the Company to accelerate the expiry date of the Warrants to a date which is 30 days following the date of an acceleration notice in the event that the volume weighted average trading price of LGC's common shares is at least $0.30 for a period of ten consecutive trading days.

The proposed extension of the expiry date of the Warrants is subject to approval by the TSX-V.

Freia Farmaceutici Srl.

On May 16, 2019, the Company announced that it has entered into an investment agreement to acquire a 35% equity interest in, Freia, for a total cash consideration of EUR3,214,000 ($4,847,033) to be paid in three installments over the course of ten months. The investment agreement contained standard representations, warranties and covenants of the parties, and closing of the transaction was subject to standard closing conditions and final acceptance by the TSX-V, which have all now been received. Accordingly, the Company has now completed the first tranche of EUR1,000,000 ($1,510,802) net of the application of the Freia Deposit and Freia Loan, resulting in a net payment of EUR750,000 ($1,133,101). The Company has also appointed members to Freia's board of directors.

Little Green Pharma in Australia

On May 22, 2019, the Company announced that after much negotiation, it has successfully reached an agreement to acquire, from a non-executive founder, a significant additional shareholding in Little Green Pharma that would increase its equity ownership from 14.1% up to 40.4%.

Subject to TSX-V approval, the Company will pay to the vendor of the shares, AUS$5.5 million. Closing of this transaction is expected to be within 95 days of signing the agreement.

Evolution Group

On May 21, 2019, the Company transferred a net amount of EUR627,590 to Evolution reflecting the final tranche of EUR885,000, less accrued interest up to May 15, 2019 and associated costs in connection with the Evolution debenture.

Financial Information

Selected Financial Information

The following table summarizes selected financial information of LGC Capital for the three and six months ended March 31, 2019 and 2018.

	Three months ended March 31		Six months ended March 31	
	2019 $	2018 $	2019 $	2018 $
Revenue	261,519	286,116	507,882	286,461
Net loss	(2,901,773)	(774,948)	(4,811,803)	(5,247,482)
Other comprehensive profit (loss)	-	(51,121)	34,110	121,153
Net profit (loss) and comprehensive profit (loss)	(2,901,773)	(826,069)	(4,777,693)	(5,126,329)
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.02)

Three and six months ended March 31, 2019 compared with the three and six months ended March 31, 2018

LGC Capital reported a net loss for the three and six months ended March 31, 2019 of $2,901,773 or $0.01 per common share and $4,811,803 or $0.01, respectively. This compares to the net loss for the three and six months ended March 31, 2018 of $774,948 and $5,247,482, respectively. The increase in loss for the three months ended March 31, 2019, was primarily due to the provision for the Etea Guarantee of $1,334,950, other impairment and provisions of $149,028, increased administrative expenses of $524,838, and share of losses of associates of $180,374. The decrease in loss for the six months ended March 31, 2019, was primarily due to the decrease in administrative expenses of $2,381,312, offset by the provision for the Etea Guarantee of $1,334,950, other impairments and provisions of $175,955, share of losses of associates of $179,102 and less other revenues of $200,099.

Revenues

The Company reported revenues for the three and six months ended March 31, 2019 of $261,519 and $507,882, respectively primarily from interest income compared to $286,116 and $286,461, respectively in respect of its fees for provisions of the Etea Guarantee.

Administrative expenses

Total administrative expenses for three and six months ended March 31, 2019 were $1,918,453 and $3,612,196, respectively compared to $1,393,615 and $5,993,508, respectively.

	Three months ended March 31		Six months ended March 31	
	2019 $	**2018** $	**2019** $	**2018** $
Administration expenses:				
Salaries and other employee benefits	**233,065**	109,652	**404,920**	146,474
Directors' fees and consultancy	**307,037**	506,921	**547,922**	649,829
Legal fees	**460,097**	151,018	**821,684**	309,192
Regulatory expenses	**229,151**	209,539	**326,704**	346,454
Consultancy fees	**299,001**	60,324	**562,231**	78,324
Travel and business development	**154,250**	76,419	**333,366**	132,867
Investor / public relations	**33,240**	54,346	**93,285**	92,796
Office expenses	**25,108**	26,779	**57,966**	35,590
Professional fees	**101,678**	53,068	**132,058**	57,244
Stock-based compensation	**10,240**	28,786	**32,888**	3,900,121
Finder's fee	**-**	-	**201,608**	-
Due diligence fees	**36,490**	-	**36,490**	-
House of Hemp option expense	**-**	91,660	**-**	162,367
Tricho-Med option expense	**-**	-	**-**	50,000
Other administration	**29,096**	25,103	**61,044**	32,250
Total	**1,918,453**	1,393,615	**3,612,196**	5,993,508

During the three months ended March 31, 2019, the increase of $524,838 from the three months ended March 31, 2019, is due primarily to increased salaries, legal fees and consultancy offset with lower directors' fees and consultancy fees.

Excluding the stock-based compensation charge, the administrative expenses for the six months ended March 31, 2019 increased $1,518,809 from the six months ended March 31, 2018. This reflects the significant increase in investment activities across several countries as well as increased salaries, legal fees and consultancy fees.

During the three and six months ended March 31, 2019, the Company incurred a finder's fee of $Nil and $201,608, respectively [2018 – $Nil and $Nil, respectively] in respect of the Viridi transaction.

During the three and six months ended March 31, 2018, the Company made a charge of $91,660 and $162,367 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 and six months ended March 31, 2019, the Company did not hold or trade any share of Melbana and recognized $Nil and $Nil, respectively gain on disposal of shares of Melbana [2018 – gain of AUD$30,784 ($36,380) and AUD$145,457 ($191,143), respectively],

Share of profits in associates

For the three and six months ended March 31, 2019, the Company's share of losses in associates amounted to $180,374 and $179,102, respectively [2018 – $Nil and $Nil, respectively] in respect of the Company's 30% equity interest in Viridi, which was completed on December 12, 2018.

Finance expenses

During the three and six months ended March 31, 2019, the Company incurred finance expenses totaling $365,708 and $778,595, respectively [2018 – $269,824 and $269,824, respectively] primarily in respect to the convertible debenture payable.

Other comprehensive (loss) income

During the three months ended March 31, 2019, the Company incurred other comprehensive income totalling $Nil [2018 – loss of $51,121] comprising a foreign exchange loss on translation of foreign subsidiaries of $Nil [2018 – gain of $69,239], a increase in the value of available for sale investments of $Nil [2018 – decrease of $83,980], and the reclassification to net loss of the realized gain on available for sale investments of $Nil [2018 – $36,680].

During the six months ended March 31, 2019, the Company incurred other comprehensive income totalling $34,110 [2018 – gain of $121,153] comprising a foreign exchange loss on translation of foreign subsidiaries of $34,110 [2018 – gain of $91,068], a increase in the value of available for sale investments of $Nil [2018 – increase of $221,228], and the reclassification to net loss of the realized gain on available for sale investments of $Nil [2018 – $191,143].

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 $
March 31, 2019	261,519	(2,901,773)	(0.01)	(0.01)	24,597,473
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	286,116	(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

The Company did not pay any dividends during the three and six months ended March 31, 2019. 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 and six months ended March 31, 2019 compared with the three and six months ended March 31, 2018

	Three months ended March 31		Six months ended March 31	
	2019 $	**2018 $**	**2019 $**	**2018 $**
Cash flows from operating activities	(1,764,809)	(967,983)	(3,320,048)	(1,918,634)
Cash flows from investing activities	(1,883,565)	(628.393)	(4,149,149)	(1,521,565)
Cash flows from financing activities	1,978,237	14,286,442	2,149,891	17,577,076
(Decrease)/Increase in cash	(1,670,137)	12,690,066	(5,319,306)	14,136,877
Net foreign exchange differences	(869)	42,325	(1,073)	49,767
Cash, beginning of period	2,916,845	3,472,823	6,566,218	2,018,570
Cash, end of period	1,245,839	16,205,214	1,245,839	16,205,214

Cash at the beginning of the three months ended March 31, 2019 was $2,916,845 [2018 - $3,472,823], with a net decrease in cash for the quarter of $1,670,137 [2018 – inflow $12,690,066]. This decrease is due primarily from cash outflows from operating activities of $1,764,809 [2018 - $967,983]. Cash at the beginning of the three months ended March 31, 2018 was $3,472,823 and the Company had a cash position of $16,205,214 at the end of the quarter. This increase is due primarily from the Company raising $8,458,097 through a share placement in February of 2018 and the completion of a convertible loan of US$2,340,000 ($2,947,401) to the Company.

Cash at the beginning of the six months ended March 31, 2019 was $6,566,218 [2018 - $2,018,570], with a net decrease in cash for the period of $5,319,306 [2018 – inflow $14,136,877]. This decrease is due primarily from cash outflows from operating activities of $3,320,048 [2018 - $1,918,634], cash outflows from investing activities of $4,149,149 and partially offset by the cash inflow from the Arlington loan of $2,000,000. Cash at the beginning of the six months ended March 31, 2018 was $6,566,218 and the Company had a cash position of $16,205,214 at the end of the six months ended March 2018. This increase is due primarily from the Company raising $11,815,708 through a share placement in February of 2018 and the completion of a convertible loan of US$2,340,000 ($2,947,401) to the Company.

There has been no change with respect to the overall capital risk management strategy during the three and six months ended March 31, 2019.

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-erm, 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 at March 31, 2019, the Company did not have any commitments for capital expenditures.

Related Party Transactions

During the three and six months ended March 31, 2019 and 2018, the Company recorded the following compensation for key management personnel and the Board of Directors:

	Three months ended March 31		Six months ended March 31	
	2019 $	**2018 $**	**2019 $**	**2018 $**
Directors' fees	150,251	375,258	220,721	425,158
Management fees	200,203	28,500	354,444	52,500
Stock-based compensation	6,400	28,787	20,555	2,381,745
Total	356,854	432,545	595,620	2,859,403

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 and six months ended March 31, 2019, 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 and six months ended March 31, 2019, the total amount for such services was $156,786 and $327,201, respectively, which was recorded in directors' fees [March 31, 2018 – $131,663 and $224,671, respectively]. As at March 31, 2019, an amount of $81,745 [September 30, 2018 – $Nil] owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

Capitalization

As at March 31, 2019 and May 30, 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 56,194,400 were exercisable as at March 31, 2019. There were also warrants in respect of 59,622,605 common shares issued and outstanding as at March 31, 2019. 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 $0.30 per share and a weighted average life of 1.00 year as at March 31, 2019.

Commitments

Operating lease commitment

As at March 31, 2019, the Company had commitments under operating leases requiring annual rental payments as follows: 2019 - $34,819; and 2020 - $17,409, for a total of $52,228.

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 and six months ended March 31, 2019.

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.