

## Condensed Interim Consolidated Financial Statements

### **LGC Capital Ltd.**

For the three and six-month periods ended March 31, 2019 and 2018

(Unaudited)

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#### **NOTICE TO READER**

Management has compiled the unaudited condensed interim consolidated financial statements of LGC Capital Ltd. as at March 31, 2019 and for the three and six-month periods ended March 31, 2019 and 2018. These condensed interim consolidated financial statements have not been audited or reviewed by the Company's independent auditors.

**LGC Capital Ltd.**

**Condensed interim consolidated statements of financial position  
(Unaudited)**

As at,

	March 31, 2019	September 30, 2018
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,245,839	6,566,218
Non refundable deposits <i>[note 5]</i>	149,935	—
Other receivables	827,732	211,084
<b>Total current assets</b>	<b>2,223,506</b>	<b>6,777,302</b>
<b>Non-current assets</b>		
Cash held in trust	—	759,136
Equity investments <i>[note 5]</i>	4,052,608	—
Available for sale investments <i>[note 5]</i>	—	3,652,023
Loans receivable <i>[note 6]</i>	393,131	1,576,266
Investments in associates <i>[note 7]</i>	2,070,922	—
Convertible debentures receivable <i>[note 8]</i>	6,907,884	3,408,580
Royalty streams <i>[notes 7, 8 and 9]</i>	8,564,745	4,191,739
Loans to directors and officers <i>[note 10]</i>	375,686	362,802
Fixtures and fittings	8,991	9,969
<b>Total non-current assets</b>	<b>22,373,967</b>	<b>13,960,515</b>
	<b>24,597,473</b>	<b>20,737,817</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>[note 15]</i>	833,218	340,345
Deferred revenue <i>[note 5]</i>	52,890	116,357
Convertible debentures payable <i>[note 11]</i>	2,316,850	2,528,720
Conversion feature of convertible debentures payable <i>[note 11]</i>	663,663	78,419
Other loans payable <i>[note 12]</i>	2,000,000	—
Provisions <i>[note 13]</i>	1,334,950	—
<b>Total current liabilities</b>	<b>7,201,571</b>	<b>3,063,841</b>
<b>Equity</b>		
Share capital <i>[notes 2 and 14]</i>	36,521,393	32,335,757
Warrants <i>[notes 2, 11 and 14]</i>	4,676,710	4,537,871
Contributed surplus <i>[note 14]</i>	10,178,274	10,003,130
Accumulated other comprehensive loss	34,110	(188,876)
Deficit	(34,014,585)	(29,013,906)
<b>Total equity</b>	<b>17,395,902</b>	<b>17,673,976</b>
	<b>24,597,473</b>	<b>20,737,817</b>

Contingent liabilities and commitments *[note 17]*

Subsequent events *[note 18]*

See accompanying notes

On behalf of the Board

Director

Director

**Condensed interim consolidated statements of loss and comprehensive loss  
(Unaudited)**

Three and six-month periods ended March 31,

	Three-month periods ended March 31,		Six-month periods ended March 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenues</b>				
Finance income <i>[notes 4, 6 and 8]</i>	229,785	22,549	444,414	22,894
Other revenues <i>[note 5]</i>	31,734	263,567	63,468	263,567
	<b>261,519</b>	<b>286,116</b>	<b>507,882</b>	<b>286,461</b>
<b>Expenses</b>				
Administrative expenses <i>[note 4]</i>	1,918,453	1,393,615	3,612,196	5,993,508
Finance expense <i>[notes 4, 11 and 12]</i>	365,708	269,824	778,595	269,824
Depreciation	484	—	978	—
Realized gain on available for sale investments <i>[note 5]</i>	—	(36,380)	—	(191,143)
Changes in fair value of embedded derivatives <i>[note 11]</i>	—	(614,843)	—	(614,843)
Share of losses of associates <i>[note 7]</i>	180,374	—	179,102	—
Impairment of loans receivable <i>[note 6]</i>	56,203	—	59,470	—
Impairment of loans to associates and joint ventures	70,665	—	70,665	—
Provision for doubtful debts <i>[note 6]</i>	22,160	—	45,820	—
Provision for Etea Guarantee <i>[note 13]</i>	1,334,950	—	1,334,950	—
Net gain in financial assets measured at fair value through profit or loss <i>[notes 5, 8 and 9]</i>	(1,023,483)	—	(875,733)	—
Net loss in financial liabilities measured at fair value through profit or loss <i>[note 11]</i>	118,937	—	40,518	—
Foreign exchange (gain) loss	118,841	48,848	73,124	76,598
	<b>3,163,292</b>	<b>1,061,064</b>	<b>5,319,685</b>	<b>5,533,943</b>
<b>Net loss for the period</b>	<b>(2,901,773)</b>	<b>(774,948)</b>	<b>(4,811,803)</b>	<b>(5,247,482)</b>
<b>Other comprehensive income (loss)</b>				
<b>Other comprehensive income (loss) items never to be reclassified to profit or loss</b>				
Increase (decrease) in value of available for sale investments, net of taxes <i>[note 5]</i>	—	(83,980)	—	221,228
Realized (loss) on available for sale investments reclassified to profit or loss, net of taxes <i>[note 5]</i>	—	(36,380)	—	(191,143)
Foreign exchange gain on translation of foreign subsidiaries	—	69,239	34,110	91,068
<b>Other comprehensive income (loss)</b>	<b>—</b>	<b>(51,121)</b>	<b>34,110</b>	<b>121,153</b>
<b>Comprehensive loss</b>	<b>(2,901,773)</b>	<b>(826,069)</b>	<b>(4,777,693)</b>	<b>(5,126,329)</b>
<b>Net loss per share</b>				
Fully diluted	(0.01)	(0.00)	(0.01)	(0.02)
<b>Weighted average number of outstanding shares</b>				
Fully diluted	411,607,784	335,775,383	401,782,417	306,271,570

See accompanying notes

**Condensed interim consolidated statements of changes in equity**  
(Unaudited)

Six-month periods ended March 31,

	Share capital		Warrants		Contributed surplus	Available-for-sale reserve	Accumulated other comprehensive loss		Total		
	#	\$	#	\$			\$	\$		Foreign currency translation reserve	Deficit
<b>Balance – October 1, 2017</b>	264,201,810	13,108,479	32,968,000	1,008,365	1,568,627	545,455	(1,647,820)	(13,006,763)	1,576,343		
Increase in value of available for sale investments, net of taxes <i>[note 5]</i>	—	—	—	—	—	221,228	—	—	221,228		
Realized gain on available for sale investments reclassified to profit or loss <i>[note 5]</i>	—	—	—	—	—	(191,143)	—	—	(191,143)		
Foreign exchange gain on translation of foreign subsidiaries, net of taxes	—	—	—	—	—	—	91,068	—	91,068		
Net loss for the period	—	—	—	—	—	—	—	(5,247,483)	(5,247,483)		
<b>Comprehensive loss for the period</b>	—	—	—	—	—	30,085	91,068	(5,247,483)	(5,126,330)		
Issuance of LGC Capital shares and warrants <i>[notes 2 and 14]</i>	43,386,822	7,464,316	43,386,822	4,320,482	—	—	—	—	11,784,798		
Issuance of convertible debentures payable <i>[notes 11 and 14]</i>	—	—	1,643,764	166,303	—	—	—	—	166,303		
Issuance of LGC Capital shares to settle convertible debenture issue costs <i>[notes 11 and 14]</i>	376,162	253,909	—	—	—	—	—	—	253,909		
Issuance of LGC Capital shares to settle accounts payable and accrued liabilities <i>[note 14]</i>	140,478	56,000	—	—	—	—	—	—	56,000		
Issuance of LGC Capital shares to acquire available for sale investments <i>[notes 5 and 14]</i>	10,660,000	3,272,600	—	—	—	—	—	—	3,272,600		
Issue costs - shares and warrants <i>[notes 2 and 14]</i>	—	(529,769)	—	(321,397)	—	—	—	—	(851,166)		
Issue costs - warrants issued to brokers <i>[notes 2 and 14]</i>	—	(405,493)	2,211,728	(215,237)	620,730	—	—	—	—		
Issue costs - convertible debentures payable <i>[note 11]</i>	—	—	—	(18,098)	—	—	—	—	(18,098)		
Stock-based compensation <i>[notes 4 and 14]</i>	—	—	—	—	3,900,121	—	—	—	3,900,121		
Exercise of stock options <i>[note 14]</i>	12,868,779	6,079,134	—	—	(5,118,150)	—	—	—	960,984		
Exercise of warrants <i>[note 14]</i>	24,023,215	16,624,219	(24,023,215)	—	(13,020,737)	—	—	—	3,603,482		
Exercise of broker compensation warrants <i>[note 14]</i>	952,000	670,740	(952,000)	—	(575,540)	—	—	—	95,200		
<b>Balance – March 31, 2018</b>	356,609,266	46,594,135	55,235,099	4,940,418	(12,624,949)	575,540	(1,556,752)	(18,254,246)	19,674,146		
<b>Balance – October 1, 2018</b>	380,288,641	32,335,757	49,218,314	4,537,871	10,003,130	(188,876)	—	(29,013,906)	17,673,976		
Impact of adopting IFRS 9 <i>[note 2.2]</i>	—	—	—	—	—	188,876	—	(188,876)	—		
Restated opening balance under IFRS 9 <i>[note 2.2]</i>	380,288,641	32,335,757	49,218,314	4,537,871	10,003,130	—	—	(29,202,782)	17,673,976		
Foreign exchange gain on translation of foreign subsidiaries, net of taxes	—	—	—	—	—	—	34,110	—	34,110		
Net loss for the period	—	—	—	—	—	—	—	(4,811,803)	(4,811,803)		
Comprehensive loss for the period	—	—	—	—	—	—	34,110	(4,811,803)	(4,777,693)		
Issuance of convertible debentures payable <i>[notes 11 and 14]</i>	—	—	12,048,055	299,809	—	—	—	—	299,809		
Issuance of shares to acquire equity investments <i>[notes 5 and 14]</i>	35,167,001	3,868,370	—	—	—	—	—	—	3,868,370		
Issuance of shares to settle accounts payable and accrued liabilities <i>[note 14]</i>	703,340	77,367	—	—	—	—	—	—	77,367		
Issue costs - convertible debentures payable <i>[note 11]</i>	—	—	—	(4,541)	—	—	—	—	(4,541)		
Share purchase loans to directors and officers repaid during the period <i>[notes 10 and 14]</i>	—	209,750	—	—	—	—	—	—	209,750		
Share purchase loans to directors and officers - accretion during the period <i>[notes 10 and 14]</i>	—	(9,024)	—	—	—	—	—	—	(9,024)		
Exercise of stock options <i>[note 14]</i>	500,000	39,173	—	—	(14,173)	—	—	—	25,000		
Expiry of warrants <i>[note 14]</i>	—	—	(1,643,764)	(156,429)	156,429	—	—	—	—		
Stock-based compensation <i>[notes 4 and 14]</i>	—	—	—	—	32,888	—	—	—	32,888		
<b>Balance – March 31, 2019</b>	416,658,982	36,521,393	59,622,605	4,676,710	10,178,274	—	34,110	(34,014,585)	17,395,902		

Contingent liabilities and commitments *[note 17]*Subsequent events *[note 18]*

See accompanying notes

**Condensed interim consolidated statements of cash flows**  
**(Unaudited)**

Three and six-month periods ended March 31,

	Three-month periods ended March 31,		Six-month periods ended March 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss for the period	(2,901,773)	(774,948)	(4,811,803)	(5,247,483)
Items not impacting cash:				
Revenues received in shares <i>[note 5]</i>	(31,734)	—	(63,468)	—
Finance income <i>[notes 4, 6, and 8]</i>	(229,786)	(13,267)	(444,414)	(13,267)
Finance expense <i>[notes 4, 11 and 12]</i>	255,724	269,824	595,183	269,824
Non-cash finder's fees <i>[notes 4 and 7]</i>	—	—	77,367	—
Realised gain on sale of available for sale investments <i>[note 5]</i>	—	(36,380)	—	(191,143)
Changes in fair value of embedded derivatives <i>[note 11]</i>	—	(614,843)	—	(614,843)
Net gain of financial assets measured at fair value through profit or loss <i>[notes 5, 8 and 9]</i>	(1,023,483)	—	(875,733)	—
Net gain in fair value of embedded derivative in convertible debentures payable at fair value through profit or loss <i>[note 11]</i>	118,937	—	40,518	—
Share of losses of associates <i>[note 7]</i>	180,374	—	179,102	—
Impairment of loans receivable <i>[note 6]</i>	56,203	—	59,470	—
Impairment of loans to associates	70,665	—	70,665	—
Provision for doubtful debts <i>[note 6]</i>	22,160	—	45,820	—
Provision Etea Guarantee <i>[note 13]</i>	1,334,950	—	1,334,950	—
Depreciation	484	—	978	—
Bonus payments offset against loans to directors and officers	38,097	—	38,097	—
Stock-based compensation <i>[notes 4 and 14(d)]</i>	10,240	28,785	32,888	3,900,121
Unrealized foreign exchange gain	30,136	(24,107)	114,261	(23,702)
	<u>(2,068,806)</u>	<u>(1,164,936)</u>	<u>(3,606,119)</u>	<u>(1,920,493)</u>
Change in non-cash working capital items	303,997	196,953	286,071	1,859
<b>Net cash flows from operating activities</b>	<u>(1,764,809)</u>	<u>(967,983)</u>	<u>(3,320,048)</u>	<u>(1,918,634)</u>
<b>Investing activities</b>				
Acquisition of available for sale investments <i>[note 5]</i>	(358,547)	—	(358,547)	(1,478,699)
Disposal of available for sale investments <i>[note 5]</i>	—	99,631	—	685,158
Restricted cash transfers to trust account	29,131	—	759,136	—
Payments for non-refundable deposits <i>[note 5]</i>	—	—	(150,307)	—
Issuance of loans receivable <i>[note 6]</i>	(1,357,945)	(628,024)	(2,079,630)	(628,024)
Issuance of loans to joint ventures and associates	(70,665)	—	(70,665)	—
Acquisition of convertible debentures receivable <i>[note 8]</i>	(74,422)	(100,000)	(1,333,339)	(100,000)
Acquisition of royalty streams <i>[note 8 and 9]</i>	(51,117)	—	(915,797)	—
	<u>(1,883,565)</u>	<u>(628,393)</u>	<u>(4,149,149)</u>	<u>(1,521,565)</u>
<b>Financing activities</b>				
Proceeds from convertible debentures <i>[note 11]</i>	—	2,947,401	—	2,947,401
Convertible debenture issue costs <i>[note 11]</i>	(46,763)	(52,169)	(46,763)	(52,169)
Proceeds from issuance of other loans payable <i>[note 12]</i>	2,000,000	—	2,000,000	—
Repayment of other loans payable	—	—	—	(325,440)
Proceeds from issuance of shares and warrants <i>[note 14]</i>	—	8,458,097	—	11,815,708
Share and warrant issue costs <i>[note 14]</i>	—	(689,629)	—	(851,166)
Proceeds from the exercise of stock options <i>[note 14]</i>	25,000	543,860	196,654	558,860
Proceeds from the exercise of warrants <i>[note 14]</i>	—	3,078,882	—	3,483,882
	<u>1,978,237</u>	<u>14,286,442</u>	<u>2,149,891</u>	<u>17,577,076</u>
<b>Cash flows from financing activities</b>				
<b>Increase in cash</b>	<b>(1,670,137)</b>	<b>12,690,066</b>	<b>(5,319,306)</b>	<b>14,136,877</b>
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
<b>Cash, end of period</b>	<u>1,245,839</u>	<u>16,205,214</u>	<u>1,245,839</u>	<u>16,205,214</u>

See accompanying notes

## **LGC Capital Ltd.**

# **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Three and six-month periods ended March 31, 2019 and 2018

### **1. Nature of operations and comparative information**

LGC Capital Ltd. ("LGC Capital") 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 (the "TSX-V") under the symbol "LG" ["QBA" prior to September 19, 2017]. The registered office of LGC Capital is located at 800 Place Victoria, Suite 3700, Montréal, Québec, Canada.

LGC Capital and its wholly-owned subsidiaries, LGC Finance Limited (formerly Leni Gas Cuba Limited) ("LGC Finance"), LGC Capital EU OU ("LGC Estonia") and LGC Capital Spain S.L ("LGC Spain"), are collectively referred to as the "Company" in these consolidated financial statements.

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.

All amounts are expressed in Canadian dollars unless otherwise noted. Certain amounts in these consolidated financial statements are expressed in British Pounds ("GBP"), Australian dollars ("AUD"), United States dollars ("USD") and Euros ("EUR").

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation**

##### ***Statement of compliance***

The condensed interim consolidated financial statements of the Company for the three and six-month periods ended March 31, 2019 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the financial statements for the year ended September 30, 2018 except for the new standards and interpretations effective October 1, 2018 as summarised in note 2.2. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended September 30, 2018 which have been prepared in accordance with IFRS.

The Board of Directors approved these condensed interim consolidated financial statements, effective May 28, 2019.

##### ***Basis of consolidation***

The condensed interim consolidated financial statements include the financial statements of LGC Capital and its subsidiaries as described in note 1. All intra-group balances, income and expenses and unrealized gains and losses, resulting from intra-group transactions are eliminated in full on consolidation.

The condensed interim consolidated financial statements of the subsidiaries are prepared using the same reporting period and same accounting policies as LGC Capital.

## **LGC Capital Ltd.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Three and six-month periods ended March 31, 2019 and 2018

#### ***Reclassification of fair value of warrants***

On September 12, 2017, the Company completed a private placement by issuing 30,000,000 units at a price of \$0.10 per unit, for gross proceeds of \$3,000,000. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of \$0.15 for a period of one year from the closing date. In the event that the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for a period of 20 consecutive trading days is at least \$0.20, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants (the "Notice"). Initially, in the Company's consolidated financial statements for the year ended September 30, 2017, the Company allocated no value to the warrants based on the initial valuation model based on stochastic simulations. However, during the three month period ended December 31, 2017, the Company updated its valuation model to properly reflect the fact that upon the receipt of the Notice, the holders of the warrants still have 30 days to exercise their warrants, and reclassified \$983,325 from share capital to warrants as at September 30, 2017 and \$66,539 from issue costs in share capital to warrants based on the relative fair value of the share capital and warrants.

#### ***Functional and presentation currency***

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of LGC Capital. The functional currency of LGC Finance is the GBP and that of LGC Estonia and LGC Spain are each the EUR.

#### **2.2 New standards adopted**

##### ***[i] IFRS 9 - Financial Instruments***

IFRS 9 replaces IAS 39 and contains a new classification and measurement approach for financial assets. The classification determines how the financial assets are categorized and measured in the financial statements and therefore is the foundation for its accounting. IFRS 9 contains four principal classification categories for financial assets, namely: amortized cost, FVOCI with gains or losses recycled to profit or loss on derecognition, FVOCI with no recycling of gains or losses to profit or loss on derecognition and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and AFS. The following summarizes the accounting policies used by the Company upon adoption of IFRS 9.

**LGC Capital Ltd.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

Three and six-month periods ended March 31, 2019 and 2018

**Initial classification**

The classification of the Company's financial instruments is as follows:

<b>Classification</b>	<b>Financial instrument</b>	<b>Description</b>
<b>Financial assets measured at amortized cost</b>	Cash	Cash balances with banks
	Cash held in trust	Cash balances held in trust for specified purposes - not available to fund normal operations
	Non-refundable deposits	Non-refundable deposits paid in respect of transactions pending completion
	Other receivables	Amounts receivable from third parties
	Loans to directors and officers	Amounts receivable from directors and officers
<b>Financial assets measured at FVTPL</b>	Loans receivable	Loans receivable and long-term receivables
	Convertible debentures receivable	Convertible debentures receivable including conversion feature
	Royalty streams	Royalty streams acquired that do not satisfy the definition of an intangible asset
	Equity investments	Equities of publicly traded and private entities
<b>Financial assets measured at FVOCI (with no recycling)</b>	Equity investments	Equities of publicly traded and private entities
<b>Financial liabilities</b>	Accounts payable and accrued liabilities	Amounts payable to suppliers and third parties
	Convertible debentures payable	Financial liability host component of convertible debentures payable
	Other loans payable	Other loans payable to third parties
	Provisions	Provisions for expenditures payable to third parties
<b>Financial liabilities measured at FVTPL</b>	Conversion feature of convertible debentures payable	Conversion feature embedded in convertible debentures payable and accounted for separately from the financial liability host



**NOTES TO CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

Three and six-month periods ended March 31, 2019 and 2018

**Criteria for classification**

Under IFRS 9 the Company can classify, measure and account for its loan receivables and other receivables as amortized cost, FVOCI (with recycling) and FVTPL while equity investments can be classified as FVOCI (with no recycling) or FVTPL. The Company analyzes each loan receivable, other receivables and equity investment on an individual basis. The analysis and classification is driven by the following criteria.

<b>Classification</b>	<b>Criteria</b>
<b>Loans and receivables</b>	
<b>Amortized cost</b>	<ul style="list-style-type: none"><li>• Held within a business model whose objective is to hold assets in order to collect contractual cash flows and;</li><li>• Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li></ul>
<b>Financial assets measured at FVOCI (with recycling)</b>	<ul style="list-style-type: none"><li>• Held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets and;</li><li>• Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li></ul>
<b>FVTPL</b>	<ul style="list-style-type: none"><li>• All loans receivable and investments in funds not measured at amortized cost or at FVOCI must be measured at FVTPL.</li></ul>

<b>Classification</b>	<b>Criteria</b>
<b>Investments in equity instruments</b>	
<b>FVTPL</b>	<ul style="list-style-type: none"><li>• Investment acquired with the purpose of sale or,</li><li>• Evidence of historical short-term profit making on similar instruments.</li></ul>
<b>FVOCI (with no recycling)</b>	<ul style="list-style-type: none"><li>• Investment made primarily for non-financial benefits such as strategic alliances and strategic investments.</li></ul>

**LGC Capital Ltd.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

Three and six-month periods ended March 31, 2019 and 2018

**Measurement**

After classification as amortized cost, FVTPL or FVOCI, the Company uses the following policy for initial measurement and subsequent measurement at each reporting period.

<b>Classification</b>	<b>Initial measurement</b>	<b>Subsequent measurement</b>	<b>Changes in fair value</b>
<b>Amortized cost</b>	Fair value less expected credit loss	Amortized cost using the effective interest method	Reported in consolidated statement of loss when realized or impaired. Interest accretion on loans is recorded in "Finance income" on the consolidated statement of loss.
<b>FVTPL</b>	Fair value	Re-measured at subsequent reporting dates to fair value  Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in "Net gain (loss) on financial assets measured at FVTPL" on the consolidated statement of loss.
<b>FVOCI (with no recycling)</b>	Fair value	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available.  Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in consolidated statement of other comprehensive loss.  There is no recycling of amounts from the statement of comprehensive loss to the statement of loss upon the disposal of the financial asset.
<b>Financial liabilities</b>	Fair value	Amortized cost using the effective interest method.	Reported in consolidated statement of loss when liability is extinguished. The interest accretion is recorded in "Finance expense" on the consolidated statement of loss.
<b>Financial liabilities measured at FVTPL</b>	Fair value	Re-measured at subsequent reporting dates to fair value  Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in "Net gain (loss) on financial liabilities measured at FVTPL" on the consolidated statement of loss.

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**Use of estimates and judgments**

The fair value of each strategic loan is determined using the discounted future cash flow of the principal and interest payments and the discount rate used is the fair value interest rate ("FV Interest Rate") of the loan. The Company estimates the FV Interest Rate through the following steps which involves use of significant judgement and estimates:

**Fair value measurement of convertible debentures receivable and royalty streams:** The fair value of convertible debentures receivable, royalty streams and embedded derivatives contained within convertible debentures payable, is measured using valuation techniques including discounted cash flow ("DCF") models, Monte Carlo simulations and funded production capacity. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility and also reasonable estimates for sales projections, discount rates, the probability of the investee to obtain its operating license, the probability of completing a successful initial public offering ("IPO"), and also appropriate valuation multiples. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

**Assignment of credit rating:** There is no reliable third-party credit rating on any of the strategic partners from which the Company has a loan outstanding balance. Therefore, the Company judgmentally assigns a credit rating to each loan based on quantitative and qualitative factors which include but are not limited to review of borrower's business plan, cash flow forecasts and financial standing.

**Interest rate of comparable financial instruments:** The Company reviews the interest rates of comparable debt instruments with similar maturity term and credit rating as the loan being analysed. Based on the review the Company assigns a FV Interest Rate to each of its loan receivable. The Company may judgmentally exclude certain outliers in this analysis.

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**Impact of transition to IFRS 9**

Upon adoption of IFRS 9, the Company has not restated prior periods and therefore the comparative information for year ended September 30, 2018 is reported under IAS 39 and is not comparable to information presented for three and six months ended March 31, 2019. The impact of the transition is as follows:

	As at September 30, 2018			IFRS 9 classification & measurement	As at October 1, 2018		
	IAS 39 classification	IAS 39 measurement	IAS 39 Carrying amount (\$)		IFRS 9 Carrying amount (\$)	Impact on opening deficit	Impact on opening AOCI
<b>Cash</b>	FVTPL	FVTPL	6,566,218	Amortized cost	6,566,218	—	—
<b>Cash held in trust</b>	FVTPL	FVTPL	759,136	Amortized cost	759,136	—	—
<b>Other receivables</b>	Other receivables	Amortized cost	211,084	Amortized cost	211,084	—	—
<b>Loans receivable</b>	Loans and other receivables	Amortized cost	1,576,266	Amortized cost	1,576,266	—	—
<b>Equity investments</b>	AFS	FVOCI	3,652,023	FVTPL	3,652,023	188,676	(188,676)
<b>Convertible debentures</b>	FVTPL	FVTPL	3,408,580	FVTPL <sup>(1)</sup>	3,408,580	—	—
<b>Royalty streams</b>	FVTPL	FVTPL	4,191,739	FVTPL <sup>(1)</sup>	4,191,739	—	—
<b>Accounts payable and accrued liabilities</b>	Financial liabilities	Amortized cost	340,345	Amortized cost	340,345	—	—
<b>Convertible debentures payable</b>	Financial liabilities	Amortized cost	2,528,720	Amortized cost	2,528,720	—	—
<b>Conversion feature of convertible debentures payable</b>	Financial liabilities measured at FVTPL	FVTPL	78,419	FVTPL	78,419	—	—
<b>Transition impact</b>						188,676	(188,676)

<sup>1</sup> On transition, a Deferred day 1 gain of \$4,059,655 remains to be recognized on eventual disposal of these financial instruments. Refer to note 8 for additional details.

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IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For other receivables and loans receivable, the Company utilizes a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to its' counterparties and other relevant factors. The carrying amount of other receivables and loans receivable is reduced for any expected credit losses through the use of a provision for doubtful debts (for other receivables) or a provision for impairment (for loans receivable). Changes in the carrying amount of these provisions are recognized in the condensed interim consolidated statement of loss. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable and the financial asset is written off. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

The impact on opening deficit and accumulated other comprehensive loss is summarized below:

	<b>Deficit</b>	<b>AOCI</b>
	\$	\$
Closing balance under IAS 39 – September 30, 2018	(29,013,906)	(188,876)
Transition impact	(188,876)	188,876
<b>Opening balance under IFRS 9 – October 1, 2018</b>	<b>(29,202,782)</b>	<b>—</b>

#### ***[ii] Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)***

On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements relating to the accounting of:

- effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature concerning the legal obligation related to withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments to IFRS 2 are effective for the Company on October 1, 2018 and have been applied prospectively. The transition to the updated standard resulted in no adjustment to opening deficit as at October 1, 2018.

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**3. Recent accounting pronouncements**

***IFRS 16 Leases***

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which is effective for the Company for periods commencing October 1, 2019 and replaces IAS 17 Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is less than 12 months or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

The Company is currently evaluating the impact of this standard on its consolidated financial statements.

**4. Finance income and expense and administrative expenses**

The following is a breakdown of the nature of expenses included in administration expenses and finance expenses for the three-month periods ended March 31:

	Three-month periods ended March 31		Six-month periods ended March 31	
	2019	2018	2019	2018
<b>Administration expenses:</b>				
Salaries and other employee benefits	233,065	109,652	404,920	146,474
Directors' fees and consultancy [note 15]	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	57,996	35,590
Professional fees	101,678	53,068	132,058	57,244
Stock-based compensation [note 14(d)]	10,240	28,786	32,888	3,900,121
Finder's fee [note 7]	—	—	201,608	—
Due diligence fees	36,490	—	36,490	—
House of Hemp [i]	—	91,660	—	162,367
Tricho-Med option expense [ii]	—	—	—	50,000
Other administration	29,096	25,103	61,044	32,250
<b>Total</b>	<b>1,918,453</b>	<b>1,393,615</b>	<b>3,612,196</b>	<b>5,993,508</b>
	Three-month periods ended March 31		Six-month periods ended March 31	
	2019	2018	2019	2018
<b>Finance income:</b>				
Interest on loans receivable [note 6]	89,347	—	173,331	—
Interest on convertible debentures [note 8]	140,438	19,492	271,083	19,492
Other interest	—	3,057	—	3,402
<b>Total</b>	<b>229,785</b>	<b>22,549</b>	<b>444,414</b>	<b>22,894</b>

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	<b>Three-month periods ended March 31</b>		<b>Six-month periods ended March 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Finance expense:</b>				
Discount on fair valuation of loan to Oriah <i>[note 6]</i>	<b>33,650</b>	—	<b>33,650</b>	—
Accretion of loan to Oriah <i>[note 6]</i>	<b>(1,570)</b>	—	<b>(1,570)</b>	—
Accretion of loans to directors and officers <i>[note 10]</i>	<b>(12,158)</b>	—	<b>(21,909)</b>	—
Interest on convertible debentures payable <i>[note 11]</i>	<b>78,400</b>	39,730	<b>151,892</b>	39,730
Accretion of convertible debentures payable <i>[note 11]</i>	<b>246,244</b>	230,094	<b>595,390</b>	230,094
Interest on loans payable <i>[note 12]</i>	<b>21,142</b>	—	<b>21,142</b>	—
<b>Total</b>	<b>365,708</b>	269,824	<b>778,595</b>	269,824

**[i] House of Hemp expense**

In June 2017, the Company entered into a strategic alliance with AfriAg (Pty) Ltd., to create a new 50/50 joint venture to grow and distribute medical and recreational cannabis products in the southern African region for export to regulated and certified end users around the world. The proposed 50/50 joint venture with AfriAg was never created.

In July 2017, LGC Capital and AfriAg (Pty) Ltd. entered into a binding memorandum of agreement to acquire a 60% interest in South Africa's House of Hemp (Pty) Ltd.'s hemp and cannabis related businesses, subject to an exclusive option for the period ended January 28, 2018, which was subsequently rolled over on a monthly basis until terminated.

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

During the three and six-month periods ended March 31, 2019, the Company incurred due diligence and other related expenses totaling \$Nil and \$Nil, respectively [March 31, 2018 – \$91,660 and \$162,367, respectively] related to this transaction.

**[ii] Tricho-Med option expense**

On October 31, 2017, the Company signed a term sheet with Quebec based Tricho-Med Corporation ("Tricho-Med") giving the Company an option to acquire a 49% interest in AAA Trichomes plus a 5% royalty on its net sales. The cost of this option of \$50,000 was expensed in the six-month period ended March 31, 2018.

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#### 5. Equity investments

A breakdown of equity investments as at March 31, 2019 and September 30, 2018 and the respective changes during the six-month period and the year then ended, are summarized as follows:

	Six-months ended March 31, 2019	Year ended September 30, 2018
	\$	\$
Balance, beginning of period / year	3,652,023	677,241
Additions	358,547	4,118,562
Disposals	—	(958,057)
Increase (decrease) in value	—	38,440
Net gain of equity investments measured at fair value through profit or loss	42,038	—
Impairment	—	(228,192)
Foreign currency gain on translation	—	4,029
<b>Balance, end of period / year</b>	<b>4,052,608</b>	<b>3,652,023</b>

#### [a] Melbana Energy Limited

During the three and six-month periods ended March 31, 2019, the Company did not hold or trade any shares of Melbana.

During the three and six-month periods ended March 31, 2018, the Company divested 7,000,000 and 51,440,121 shares in Melbana respectively, at average prices of AUD0.01 and AUD0.01, respectively, for total proceeds of AUD100,784 (\$99,631) and AUD656,858 (\$636,584), respectively which resulted in a reduction of the Company's interest in Melbana from 4.81% as at September 30, 2017 to 1.25% as at March 31, 2018. During the three and six-month periods ended March 31, 2018, the Company recognized a gain on disposal of shares of Melbana of AUD30,784 (\$36,380) and AUD145,457 (\$191,143), respectively recorded in other comprehensive income (loss) which was subsequently reclassified to net loss.

The closing share price of Melbana as at March 31, 2018 was AUD0.012 and during the three and six-month periods then ended the movement in fair value of the Company's investment amounted to a loss of AUD97,287 (\$117,157) and a gain of AUD113,427 (\$33,308), respectively.

#### [b] Little Green Pharma Limited (formerly Habi Pharma Pty Ltd) (note 18(f))

As at March 31, 2019, the Company's interest in Little Green Pharma Limited ("Little Green Pharma") was 14.06% [September 30, 2018 – 14.21%].

As at March 31, 2019, the fair value of the investment in Little Green Pharma was assessed to be AUD0.40 per share [September 30, 2018 – AUD0.40 per share], representing a balance of investment of \$3,701,949 [September 30, 2018 - \$3,652,023]. For the three and six-month periods ended March 31, 2019, the movement in the fair value of the Company's investment in Little Green Pharma amounted to (\$60,221) and \$49,926, respectively [March 31, 2018 – \$Nil and \$Nil, respectively].

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.



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#### [c] Etea Sicurezza Group Ltd

As at March 31, 2019, the Company's interest in Etea Sicurezza Group Ltd ("Etea Sicurezza") was 3% [September 30, 2018 – 3%].

As at March 31, 2019, in view of Etea Sicurezza's continuing challenged liquidity position and lack of visibility on finances, the Board of Directors determined the fair value of the Company's equity interest in Etea Sicurezza continues to be \$Nil [September 30, 2018 - \$Nil].

During the three and six-month periods 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 [March 31, 2018 - \$Nil and \$Nil, respectively].

#### [d] Freia Farmaceutici S.R.L. (note 18(e))

On October 23, 2018, the Company entered into a Letter of Intent with Freia Farmaceutici S.R.L. ("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"). Freia is based in Italy with approved hemp-based pharmaceutical products. 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 (\$149,935), that was to be applied to monies payable by the Company on completion of the Freia Investment.

#### [e] Zimmer International Inc

On January 31, 2019, the Company entered an agreement to purchase from Global Canna Labs Limited, its 6.75% interest in the share capital of Zimmer International Inc ("Zimmer") for USD270,000 (\$358,547). Zimmer is a pharmaceutical and health care distribution business in the Caribbean, Mexico and South America.

As at March 31, 2019, the fair value of the investment in Zimmer was assessed as continuing to be USD270,000 (\$350,659) [September 30, 2018 - \$Nil]. For the three and six-month periods ended March 31, 2019, the movement in the fair value of the Company's investment in Zimmer amounted to (\$7,888) and (\$7,888), respectively [March 31, 2018 – \$Nil and \$Nil, respectively].

## 6. Loans receivable

A breakdown of loans receivable as at March 31, 2019 and September 30, 2018 are as follows:

	March 31, 2019	September 30, 2018
	\$	\$
Etea Sicurezza – at amortized cost	1,333,045	1,275,047
Less: provision for impairment	(1,333,045)	(1,275,047)
	—	—
Evolution Debenture – at amortized cost	—	1,576,266
Oriah Botanicles loan – at amortized cost	168,228	—
Freia loan – at amortized cost	224,903	—
<b>Total</b>	<b>393,131</b>	<b>1,576,266</b>

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The following table summarizes the movement in loans receivable during the three and six-month periods ended March 31, 2019 and 2018.

	Three-months ended March 31		Six-months ended March 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
Balance, beginning of period / year	2,398,756	—	1,576,266	—
Additions:				
Global Canna Labs – bridging loan	—	100,000	—	100,000
Etea Sicurezza	56,203	—	59,470	—
Evolution Debenture	873,309	—	1,591,727	—
Oria Botanicles	199,768	—	199,768	—
Freia	228,665	—	228,665	—
Impairment:				
Etea Sicurezza	(56,203)	—	(59,470)	—
Discount on fair valuation of loan to Oria Botanicles	(33,650)	—	(33,650)	—
Accretion during the period	1,570	—	1,570	—
Transfers out:				
Evolution debenture reclassified to convertible debentures receivable / royalty streams (notes 8 and 9)	(3,171,133)	—	(3,171,133)	—
Foreign currency (loss) gain on translation	(104,154)	—	(82)	—
Balance, end of period / year	<b>393,131</b>	100,000	<b>393,131</b>	100,000

**[a] Etea Sicurezza**

During the three and six-month periods ended March 31, 2019, the Company provided additional loans to Etea Sicurezza totaling EUR37,540 (\$56,203) and EUR39,731 (\$59,470), respectively [March 31, 2018 - \$Nil and \$Nil respectively]. The remaining movement in the carrying value of the loan and the impairment provision relates to the impact of foreign exchange translation during the period.

As outlined in note 5(c), in view of Etea Sicurezza's current challenging liquidity position and the subordinated position of the Company's loans to Etea Sicurezza, the Board of Directors has decided to continue to record an impairment in full of its loan exposure to Etea Sicurezza. Consequently, during the three and six-month periods ended March 31, 2019 the Company recorded, an impairment charge related to loan movements in the period amounting to \$56,203 and \$59,470, respectively [March 31, 2018 - \$Nil and \$Nil, respectively], interest earned and a corresponding provision for doubtful debts totaling \$22,160 and \$45,820, respectively [March 31, 2018 - \$Nil and \$Nil, respectively] in the condensed interim consolidated statement of loss in respect of these loans.

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#### **[b] Evolution BNK SRL convertible debentures receivable (“the Evolution debenture”)**

As at March 31, 2019 all conditions precedent relating to the Evolution debenture, including TSX-V approval had been completed. Consequently, on March 31, 2019, the principal amount of the loan drawn down under the debenture agreement as at that date, being EUR2,115,000 (\$3,171,133), was transferred out of loans receivable and allocated between convertible debentures receivable and royalty streams in the condensed interim consolidated statement of financial position as described in note 8.

During the three and six-month periods ended March 31, 2019, the Company recorded a loss and a gain amounting to (\$100,932) and \$3,140, respectively due to foreign currency translation in the condensed interim consolidated statement of loss [March 31, 2018 - \$Nil and \$Nil, respectively].

During the three and six-month periods ended March 31, 2019 interest earned in respect of the Evolution debenture, amounting to \$67,187 and \$127,510, respectively [March 2018 – \$Nil and \$Nil, respectively], have been recorded in the condensed interim consolidated statement of comprehensive loss. As at March 31, 2019, interest receivable in respect of the Evolution debenture, totaling \$169,565 (September 30, 2018 - \$47,422), adjusted for foreign exchange movements, has been recorded in the condensed interim consolidated statement of financial position under other receivables.

#### **[c] Oriah Botanicles**

On March 12, 2019 the Company entered into an agreement with Oriah Botanicles Pty Ltd (“Oriah”) under which the Company agreed to loan to Oriah the sum of USD150,000 (\$199,768) for a period of 12 months on an unsecured and interest free basis.

The Oriah loan is carried at its present value, which on initial recognition, incorporated a discount on fair valuation of the Oriah loan totalling \$33,650 which was recognised in the condensed interim consolidated statement of loss under finance expense (note 4).

During the three and six-month periods ended March 31, 2019, the Company recorded a gain amounting to \$540 and \$540, respectively due to foreign currency translation in the condensed interim consolidated statement of loss [March 31, 2018 - \$Nil and \$Nil, respectively].

During the three and six-month periods ended March 31, 2019, the value of accretion income recognized in respect of this loan amounted to \$1,570 and \$1,570, respectively [March 31, 2018 - \$Nil and \$Nil, respectively] (note 4).

#### **[d] Freia Loan**

On January 30, 2019 the Company entered into an agreement with Freia for the provision of an unsecured, interest free loan 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 as described in note 5 and note 18[e].

During the three and six-month periods ended March 31, 2019, the Company recorded a loss in respect of this loan, due to foreign currency translation, amounting to (\$3,762) and (\$3,762), respectively [March 31, 2018 - \$Nil and \$Nil, respectively], which has been recorded in the condensed interim consolidated statement of comprehensive loss.

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#### 7. Investments in associates

The table below presents the Company's associates.

<b>Associate</b>	<b>Country of registration</b>	<b>Nature of business</b>	<b>Holding March 31, 2019</b>	<b>Holding September 30, 2018</b>
Viridi Unit SA	Switzerland	Cannabis	30%	—

A breakdown of investments in associates as at March 31, 2019 and September 30, 2018 and the respective changes during the six-month period and year then ended are summarized as follows:

	<b>As at March 31, 2019</b>	<b>As at September 30, 2018</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of period / year	—	—
Additions during the period / year	2,250,024	—
Share of loss	(179,102)	—
<b>Balance, end of period / year</b>	<b>2,070,922</b>	<b>—</b>

#### [a] Investment in Viridi Unit SA

On December 12, 2018, the Company announced that it had closed its investment in Swiss cannabis company, Viridi Unit SA ("Viridi"), with LGC Capital issuing 35,167,001 shares of its common stock in exchange for a 30% equity interest in Viridi (the "Viridi Equity") plus a 5% royalty on Viridi's net sales over ten years ("the Viridi Royalty") which together comprise the "Viridi Transaction". The total consideration for the Viridi Transaction amounted to approximately CHF3,000,000 (\$3,868,370) based on the Company share price of \$0.11 on the date of issue). In respect of this transaction, LGC Capital paid a finder's fee to an arm's length party equal to 3% of the total consideration in cash (\$124,241) and 2% of the total consideration by the issuance of 703,340 common shares of LGC Capital (\$77,367). For the three and six-month periods ended March 31, 2018, the Company incurred a charge of \$201,608 in respect to this finder's fee (note 4).

#### [b] Initial recognition of Viridi Transaction

For the purposes of initial recognition accounting, the Viridi Transaction was deemed to comprise two separate assets, being an investment in associates related to the Viridi Equity component and a financial asset, an embedded derivative, comprising the Viridi Royalty. On initial recognition the Company used discounted cashflows incorporating assumptions of projected sales estimates and growth rates to calculate the fair value of Viridi Royalty component and then used the residual method, to allocate the remaining consideration paid to the Viridi Equity component. The consideration allocated to the Viridi Royalty component (\$1,618,346), comprising the royalty stream was classified as FVTPL while the consideration allocated to the Viridi Equity component (\$2,250,024), was accounted for as an investment in associates.

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#### **[c] Subsequent accounting for investment in associate (Viridi Equity)**

The consideration allocated to the investment in associate of \$2,250,024 is carried forward at cost and the Company's share of profits and losses are recognized as incurred.

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

#### **[d] Subsequent accounting Viridi Royalty**

The fair value of Viridi Royalty is re-assessed at each balance date, with increases in fair value, being recorded as fair value adjustments through the profit and loss. As at March 31, 2019, the fair value of the Viridi royalty was assessed to be unchanged at \$1,618,346. Consequently, the fair value adjustment recognized through net loss for the three and six-month periods ended March 31, 2019, related to the Viridi royalty was \$Nil and \$Nil, respectively [March 31, 2018 - \$Nil and \$Nil, respectively] (refer note 9).

## **8. Convertible debentures receivable**

#### **[a] Tricho-Med convertible debentures receivable**

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"]. 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. On conversion, 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. Upon conversion into equity, the Company will also be entitled to a 5% royalty on Tricho-Med's net sales for an unlimited time period. The Tricho-Med Debenture bears interest at an annual rate of 10%, has a term of four years, maturing on December 21, 2021, and is secured by first-ranking security on all of Tricho-Med's assets.

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

During the three and six-month period 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].

#### **[b] Global Canna Labs convertible debentures receivable**

On August 30, 2018 the Company announced the closing in trust of an investment in Global Canna Labs Limited ("GCL"), subject to the pending receipt of the TSX-V's final approval. Pursuant to the executed closing agreements, LGC Capital subscribed for a \$2,500,000 secured debenture, automatically convertible into an initial 30% interest in GCL upon the successful completion of an IPO. The Company has also acquired a 5% royalty on GCL's net sales for an unlimited time period for \$3,091,558, payable by way of 15,854,141 shares of LGC Capital at a deemed issue price of \$0.195 each. GCL has an option to repurchase the 5% royalty for an amount of \$6,000,000. In addition, the Company paid an arm's length finder's fee in respect of the transaction of \$257,500, paid \$128,750 in cash and \$128,750 by way of 1,020,610 shares of LGC Capital. The debenture bears interest at an annual rate of 10%, has a term of four years, maturing on August 30, 2022. Both the debenture and the royalty are fully secured with a first ranking security on all of Global Canna Labs' assets.

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On September 20, 2018, the Company announced that it had received the final approval bulletin from the TSX-V in respect of LGC Capital's investment into GCL.

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

#### **[c] Evolution Debenture (note 18(g))**

On August 13, 2018, the Company entered into a convertible debenture ("the Evolution Debenture") with 9379-1432 Québec Inc., ("QuebeCo"), Evolution BNK and Evolution ATM and their principals, to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest upon the successful completion of an IPO. QuebeCo is the parent entity of Evolution BNK and Evolution ATM. The Evolution Debenture bears interest of 10% per annum and has a maturity of 4 years.

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 all conditions precedent relating to the Evolution debenture, including TSX-V approval had been completed and consequently the amounts drawn down under the loan as at that date were reclassified from loans receivable and recorded as convertible debentures receivable and royalty streams as outlined below.

#### **[d] Initial recognition**

On initial recognition, the Tricho-Med Debenture, the GCL Debenture and the Evolution Debenture were each classified as financial assets at fair value through profit or loss.

Each debenture and its associated royalty component were determined to comprise two financial instruments, the first being a compound financial instrument comprising the host debt receivable and also its associated conversion feature while the second comprising the associated royalty stream. On initial recognition LGC Capital used the valuation techniques outlined below to calculate the fair value of each financial instrument acquired. It then used the relative fair value method to allocate the total consideration paid across each financial instrument. Where amounts paid in respect of a convertible debenture were drawn down over a significant period of time, draw-down amounts were amalgamated into tranches and each tranche was assigned a unique initial recognition date based on the pattern of amounts drawn down.

On each initial recognition date and again at each quarter end, the fair values of each convertible debenture and the fair value of the Tricho-Med and Evolution royalty streams were estimated using valuation techniques including DCF models, Monte Carlo simulations and funded production capacity. The models incorporate management's estimates such as liquidity risk, credit risk and volatility and also reasonable estimates for sales projections, discount rates, the probability of the investee to obtain its operating license, the probability of completing a successful IPO, and also appropriate valuation multiples all based on published data from a basket of similar companies in cannabis sector.

The fair value of the GCL Royalty was estimated using discounted cashflows incorporating assumptions of projected sales estimates and growth rates. As the valuation techniques used in assessing the fair value of each component included lowest-level inputs that were significant to the fair value measurement that were unobservable, the valuation techniques employed have been categorized as being Level 3 in fair value hierarchy.

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During the six-month period ended March 31, 2019 and the year ended September 30, 2018, the weighted average relative fair values assigned, based on the initial recognition dates of tranches drawn down during the period or year respectively then ended, and the resultant allocation of the consideration paid for each financial instrument comprising each convertible debenture acquired are set out below:

Financial instrument	Six-months ended March 31, 2019		Year ended September 30, 2018			
	Weighted Average relative fair value on initial recognition		Consideration allocated using relative fair value method	Weighted Average relative fair value on initial recognition		Consideration allocated using relative fair value method
	\$	%	\$	\$	%	\$
<b>Tricho-Med Debenture</b>						
Host debt receivable and conversion feature	1,333,339	59%	1,333,339	1,037,952	59%	1,037,952
Royalty stream	915,797	41%	915,797	712,912	41%	712,912
<b>Total</b>	<b>2,249,136</b>	<b>100%</b>	<b>2,249,136</b>	<b>1,750,864</b>	<b>100%</b>	<b>1,750,864</b>
<b>GCL Debenture</b>						
Host debt receivable and conversion feature	—	—	—	3,651,213	38%	2,115,378
Royalty stream	—	—	—	6,000,000	62%	3,476,180
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,651,213</b>	<b>100%</b>	<b>5,591,558</b>
<b>Evolution Debenture</b>						
Host debt receivable and conversion feature	1,249,987	39%	1,249,987	—	—	—
Royalty stream	1,921,146	61%	1,921,146	—	—	—
<b>Total</b>	<b>3,171,133</b>	<b>100%</b>	<b>3,171,133</b>	<b>—</b>	<b>—</b>	<b>—</b>
Host debt receivable and conversion feature	<b>2,583,326</b>	<b>48%</b>	<b>2,583,326</b>	<b>4,689,165</b>	<b>38%</b>	<b>3,153,330</b>
Royalty stream	<b>2,836,943</b>	<b>52%</b>	<b>2,836,943</b>	<b>6,712,912</b>	<b>62%</b>	<b>4,189,092</b>
<b>Total</b>	<b>5,420,269</b>	<b>100%</b>	<b>5,420,269</b>	<b>11,402,077</b>	<b>100%</b>	<b>7,342,422</b>

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As at March 31, 2019 the fair value of each component was re-assessed with increases in fair value for each instrument, except for the Day-1 gain, being recorded as fair value adjustments through the profit and loss. The fair values assessed for each instrument as at March 31, 2019 based on the cumulative tranches drawn down, and the respective movement in fair value recognized in profit and loss for the six-month period ended March 31, 2019 and for the year ended September 30, 2018 were as follows:

<b>Financial instrument</b>	<b>Cumulative consideration drawn down</b>	<b>Cumulative fair value on initial recognition</b>	<b>Day-1 Gain (loss) on initial recognition</b>	<b>Fair value as at March 31, 2019</b>	<b>Cumulative FVTPL as at March 31, 2019 <sup>(1)</sup></b>	<b>Cumulative FVTPL Year ended September 30, 2018</b>	<b>FVTPL Six months ended March 31, 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Tricho-Med Debenture</b>							
Host debt receivable and conversion feature	2,371,291	2,371,291	—	3,219,018	847,727	255,250	592,477
Royalty stream (refer note 9)	1,628,709	1,628,709	—	1,549,073	(79,636)	2,647	(82,283)
<b>Total</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>—</b>	<b>4,768,091</b>	<b>768,091</b>	<b>257,897</b>	<b>510,194</b>
<b>GCL Debenture</b>							
Host debt receivable and conversion feature	2,115,378	3,651,213	1,535,835	3,974,714	323,501	—	323,501
Royalty stream (refer note 9)	3,476,180	6,000,000	2,523,820	6,000,000	—	—	—
<b>Total</b>	<b>5,591,558</b>	<b>9,651,213</b>	<b>4,059,655</b>	<b>9,974,714</b>	<b>323,501</b>	<b>—</b>	<b>323,501</b>
<b>Evolution Debenture</b>							
Host debt receivable and conversion feature	1,249,987	1,249,987	—	1,249,987	—	—	—
Royalty stream (refer note 9)	1,921,146	1,921,146	—	1,921,146	—	—	—
<b>Total</b>	<b>3,171,133</b>	<b>3,171,133</b>	<b>—</b>	<b>3,171,133</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>							
Host debt receivable and conversion feature	<b>5,736,656</b>	<b>7,272,491</b>	<b>1,535,835</b>	<b>8,443,719</b>	<b>1,171,228</b>	<b>255,250</b>	<b>915,978</b>
Royalty stream (refer note 9)	<b>7,026,035</b>	<b>9,549,855</b>	<b>2,523,820</b>	<b>9,470,219</b>	<b>(79,636)</b>	<b>2,647</b>	<b>(82,283)</b>
<b>Total</b>	<b>12,762,691</b>	<b>16,822,346</b>	<b>4,059,655</b>	<b>17,913,938</b>	<b>1,091,592</b>	<b>257,897</b>	<b>833,695</b>

<sup>(1)</sup> Where there is a Day-1 loss, cumulative FVTPL equals movement in FV since inception. Where there is a Day-1 gain cumulative FVTPL equals movement in FV since inception that exceeds Day-1 gain



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As at March 31, 2019, the amount of the Day-1 gain arising on the initial recognition of the GCL Debenture, as yet unrecognized through profit and loss, amounted to \$4,059,655 [September 30, 2018 - \$4,059,655].

During the three and six-month periods ended March 31, 2019, the total fair value adjustment recognized through the profit and loss account in respect of these debentures (excluding royalty streams) amounted to a gain of \$1,171,228 and \$915,978, respectively [March 31, 2018 - \$Nil and \$Nil, respectively].

A breakdown in the movement of convertible debentures receivable and their respective royalty streams during the six-month period ended March 31, 2019 and the year ended September 30, 2018 and the fair value adjustments recognized in the statement of loss during the six-month period and the year then ended, respectively, are as follows:

	<b>Tricho-Med Debenture</b>	<b>Global Canna Debenture</b>	<b>Evolution Debenture</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, as at October 1, 2017</b>	—	—	—	—
Debentures issued during the year – amounts drawn down / allocated face value	1,750,864	5,591,558	—	7,342,422
FVTPL recognized in net loss in year	257,897	—	—	257,897
<b>Balance, as at September 30, 2018</b>	2,008,761	5,591,558	—	7,600,319
Debentures issued during the period – amounts drawn down / allocated face value	2,249,136	—	3,171,133	5,420,269
FVTPL recognized in net loss in period	510,194	323,501	—	833,695
<b>Balance, as at March 31, 2019</b>	4,768,091	5,915,059	3,171,133	13,854,283
<b>By financial instrument as at September 30, 2018</b>				
Host debt receivable and conversion feature	1,293,202	2,115,378	—	3,408,580
Royalty stream (refer note 9)	715,559	3,476,180	—	4,191,739
<b>Balance, as at September 30, 2018</b>	2,008,761	5,591,558	—	7,600,319
<b>By financial instrument as at March 31, 2019</b>				
Host debt receivable and conversion feature	3,219,018	2,438,879	1,249,987	6,907,884
Royalty stream (refer note 9)	1,549,073	3,476,180	1,921,146	6,946,399
<b>Balance, as at March 31, 2019</b>	4,768,091	5,915,059	3,171,133	13,854,283

During the three and six-month periods ended March 31, 2019, total interest earned and recognized in the condensed interim consolidated statements of loss in respect of these debentures amounted to \$140,438 and \$271,083, respectively [March 31, 2018 - \$19,492 and \$19,492, respectively]. As at March 31, 2019, interest receivable totaling \$531,875 has been recorded in the condensed interim statements of financial position under other receivables [September 30, 2018 - \$91,228].

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**9. Royalty streams**

As at March 31, 2019, and September 30, 2018 and for the six-month period and year respectively, then ended the breakdown of royalty stream assets was as follows:

	<b>Tricho-Med Royalty (refer note 8) \$</b>	<b>GCL Royalty (refer note 8) \$</b>	<b>Evolution Royalty (refer note 8) \$</b>	<b>Viridi Royalty (refer note 7) \$</b>	<b>Total \$</b>
<b>Balance, October 1, 2017</b>	—	—	—	—	—
Consideration paid during the year	712,912	3,476,180	—	—	4,189,092
FVTPL recognized in net loss in year	2,647	—	—	—	2,647
<b>Balance, September 30, 2018</b>	715,559	3,476,180	—	—	4,191,739
Acquisitions during the period	<b>915,797</b>	—	<b>1,921,146</b>	<b>1,618,346</b>	<b>4,455,289</b>
FVTPL value recognized in net loss in period	<b>(82,283)</b>	—	—	—	<b>(82,283)</b>
<b>Balance, March 31, 2019</b>	<b>1,549,073</b>	<b>3,476,180</b>	<b>1,921,146</b>	<b>1,618,346</b>	<b>8,564,745</b>

During the three and six-month periods ended March 31, 2019, the total fair value adjustment recognized through the profit and loss account in respect of these royalty streams amounted to a loss of \$79,636 and \$82,283, respectively [March 31, 2018 - \$Nil and \$Nil, respectively].

During the three and six-month periods ended March 31, 2019, the total royalties earned and recognized through the condensed interim consolidated statements of loss in respect of these royalty streams amounted to \$Nil and \$Nil, respectively [March 31, 2018 - \$Nil and \$Nil, respectively]. As at March 31, 2019, royalties receivable totaling \$Nil are recorded in the condensed interim statements of financial position under other receivables [September 30, 2018 - \$Nil].

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**10. Loans to directors and officers**

	Six-month period ended March 31, 2019		Year ended September 30, 2018	
	Share purchase loans and advances to exercise stock options / warrants (Note 14) \$	Loans to fund payment of taxes \$	Share purchase loans and advances to exercise stock options / warrants (Note 14) \$	Loans to fund payment of taxes \$
<b>Outstanding balance, beginning of period / year</b>	362,860	362,802	—	—
Loans issued during the period / year - at present value	—	—	354,578	347,088
Loans repaid during the period / year	(209,750)	—	—	—
Accretion during the period / year	9,024	12,884	8,282	15,714
<b>Outstanding in balance, end of period / year</b>	<b>162,134</b>	<b>375,686</b>	<b>362,860</b>	<b>362,802</b>

On February 16, 2018, LGC Capital announced it had entered into loan agreements with a number of directors and officers of the Company amounting to \$609,412, in order to fund the exercise by them of LGC Capital stock options and also to fund the payment by them of related taxes. These loans to directors and officers do not bear interest and must be repaid within two years. In addition, on September 17, 2018, an advance was made to a Director, totaling \$171,654, to fund the exercise of warrants. The advance was repaid in early October 2018.

These loans are carried at their present value using a discount rate of 7%. The Loans provided to directors and officers to fund the exercise of stock options, together with the advance to a director to fund the exercise of warrants have been reclassified and offset against share capital.

During the three and six-month periods ended March 31, 2019, the value of accretion income recognized in respect of these loans amounted to \$12,156 and \$21,908, respectively [March 31, 2018 - \$Nil and \$Nil, respectively].

**11. Convertible debentures payable**

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

Under the Original Debenture Agreement, YA II and Riverfort PCC had subscribed for 25% and 75% respectively, for 9.5% secured convertible debentures (the "2018 Debentures") totaling USD2,340,000. The 2018 Debentures matured on February 8, 2019.

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On February 5, 2019, Riverfort PCC assigned and novated its rights, benefits and obligations under the 2018 Debenture Agreement to Riverfort Global Opportunities PLC ("Riverfort"), a company incorporated in England and Wales, pursuant to a novation agreement between the Company, YA II, Riverfort and Riverfort PCC.

On February 26, 2019, the Company entered into an updated Investment Agreement (the "Revised Debenture Agreement") with Riverfort and YA II (collectively the "Noteholders") which was subsequently completed on February 28, 2019 (the "Restatement Date").

Under the Revised Debenture Agreement, the Noteholders agreed to extend the maturity of the 2018 Debentures for a period of one year.

The novated debentures (the "2019 Debentures"), totaling USD2,340,000 (\$3,087,630), mature in one year and bear interest at a rate of 12% per annum, and are repayable, one half in six equal instalments, on the 6th through to the 11th monthly anniversaries of the Restatement Date, with the balance due 12 months after the Restatement Date. Interest is payable on the three month anniversary of the Restatement date and on each subsequent principal repayment date. Further, the 2019 Debentures may, at any time and at the holder's exclusive option, be converted into common shares at a price equal to the lesser of (i) \$0.12 (USD0.0912) and (ii) 90% of the variable weighted average price of the Company's shares during the 5 trading days prior to the date of the conversion notice, subject to a minimum conversion price of \$0.10 (USD0.076). The Company has the right to repay the 2019 Debentures prior to the scheduled repayment dates, in whole but not in part, if the value of the Company's share price is less than 110% of the volume weighted average price at the Restatement Date. In the event of an early repayment, the Company will be liable to pay a prepayment fee amounting to 5% of the outstanding principal amount.

In addition, under the Revised Debenture Agreement, the Company agreed to issue to the Noteholders, 12,048,055 common share purchase warrants. Each warrant issued entitles the holder to acquire one common share of the Company at a price of \$0.115, for a period of one year from the date of issuance.

On review of the relative terms of the original and revised debentures the Company determined that the 2019 Debenture terms were substantially different from those of the 2018 Debentures and consequently the Company has treated this transaction as comprising an extinguishment of debt (ie the 2018 Debentures) and an issuance of new debt (the 2019 Debentures).

The 2019 Debentures were determined to comprise two distinct financial instruments, the first being a compound financial instrument comprising the host or liability component, and also an embedded derivative comprising the associated debenture conversion feature. The second financial instrument comprises the common share purchase warrants that were issued along with the Debentures.

On initial recognition, the fair value of these instruments was estimated as outlined below and used to allocate face value of the 2019 Debentures amongst these instruments, on a relative fair value basis. This exercise resulted in allocated fair values for each component of the 2019 Debentures of \$2,316,850 allocated to the host debt component, \$544,726 allocated to the embedded derivative and \$299,809 allocated to common share purchase warrants.

The fair value of the host or liability component of the convertible debenture was calculated by discounting the stream of future payments of interest and principal at 18.5% being the estimated market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have any associated share purchase warrants nor any embedded derivative features. The fair value of the embedded derivative comprising the debenture conversion feature

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was estimated using a Montecarlo simulation and that of the warrants, issued on February 26, 2019, was determined based on the Black-Scholes option pricing model. The relative weighted average assumptions used for these fair value estimates is set out as follows:

<b>Assumption</b>	<b>Common share purchase warrants Issued (Black Scholes)</b>	<b>Embedded derivative (Montecarlo simulation)</b>
Risk-free interest rate	2.00%	2.00%
Expected volatility	114%	114%
Dividend yield	Nil	Nil
Expected life [in years]	1.0	1.0
Exercise price	\$0.12	\$0.12
Share Price	\$0.09	\$0.09
Fair value at grant date	\$0.033	\$722,645

In connection with the Revised Debenture Agreement, the Company incurred cash settled issue costs amounting to \$46,763 which have been pro-rated between the host debt component of the convertible debentures, the embedded derivative comprising the conversion feature and the common share purchase warrants, in the amounts of \$33,972, \$8,250 and \$4,541, respectively. The issue costs of \$8,250 related to the embedded derivative were expensed as incurred.

The carrying value of the host debt component of the debentures is accreted using the effective interest rate method over the term of the debenture, such that the carrying amount will equal the total face value of the debenture at maturity.

The embedded derivative component is carried in the condensed interim consolidated statement of financial position at its fair value with movements therein recognized in net (loss) for the period. The fair value of embedded derivatives as at March 31, 2019 and 2018 were determined based on a Monte Carlo simulation (March 31, 2018 - Black-Scholes option pricing model) using the weighted average assumptions set out as follows:

<b>Assumption</b>	<b>2019 Debentures Embedded derivative as at March 31, 2019 (Monte Carlo simulation)</b>	<b>2018 Debentures Embedded derivative as at March 31, 2018 (Black Scholes)</b>
Risk-free interest rate	2.00%	1.76%
Expected volatility	110%	180%
Dividend yield	Nil	Nil
Expected life [in years]	0.92	0.86
Exercise price	\$0.12	\$0.50
Share Price	\$0.09	\$0.14
Fair value	\$663,663	\$251,637

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A breakdown of convertible debentures payable as at March 31, 2019 and September 30, 2018 and the movement therein for the six-month period and year then ended respectively is as follows:

	<b>Host debt component</b>	<b>Embedded derivative (Conversion feature)</b>	<b>Common share purchase warrants</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, October 1, 2017</b>	—	—	—	—
Debentures issued during the year	1,894,967	886,131	166,303	2,947,401
Issue costs	(124,574)	—	(9,874)	(134,448)
Accretion	711,921	—	—	711,921
Change in fair value of embedded derivative	—	(807,712)	—	(807,712)
Foreign currency loss on translation	46,406	—	—	46,406
<b>Balance, September 30, 2018</b>	<b>2,528,720</b>	<b>78,419</b>	<b>156,429</b>	<b>2,763,568</b>
Accretion – 2018 Debentures	<b>505,602</b>	—	—	<b>505,602</b>
Change in fair value of embedded derivative – 2018 Debentures	—	<b>(78,419)</b>	—	<b>(78,419)</b>
Expiry of 2018 warrants transferred to contributed surplus	—	—	<b>(156,429)</b>	<b>(156,429)</b>
Foreign currency loss on translation – 2018 Debentures	<b>53,308</b>	—	—	<b>53,308</b>
Extinguishment of debt – 2018 Debentures	<b>(3,087,630)</b>	—	—	<b>(3,087,630)</b>
Issuance of 2019 Debentures – allocated face value	<b>2,243,095</b>	<b>544,726</b>	<b>299,809</b>	<b>3,087,630</b>
Issue costs – 2019 Debentures	<b>(33,972)</b>	<b>(8,250)</b>	<b>(4,541)</b>	<b>(46,763)</b>
Accretion – 2019 Debentures	<b>81,538</b>	<b>8250</b>	—	<b>89,788</b>
Change in fair value of embedded derivative – 2019 Debentures	—	<b>118,937</b>	—	<b>118,937</b>
Foreign currency loss on translation – 2019 Debentures	<b>26,189</b>	—	—	<b>26,189</b>
<b>Balance, March 31, 2019</b>	<b>2,316,850</b>	<b>663,663</b>	<b>295,268</b>	<b>3,275,781</b>

	<b>As at March 31, 2019</b>	<b>As at September 30, 2018</b>
	<b>\$</b>	<b>\$</b>
Total in current liabilities	<b>2,980,513</b>	2,607,139
Total equity	<b>295,268</b>	156,429
	<b>3,275,781</b>	<b>2,763,568</b>

During the three and six-month periods ended March 31, 2019, interest expense pursuant to 2018 and 2019 Debentures amounted to \$78,400 and \$151,892, respectively [March 31, 2018 – \$39,730 and \$39,730, respectively].

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#### 12. Other loans payable (note 18 (c))

On February 5, 2019, the Company entered into a loan agreement with Arlington Capital Inc ("Arlington"), a company incorporated in the province of Quebec, Canada. Under the terms of the loan Arlington agreed to lend to LGC Capital amounts totaling \$2,000,000 for a period of one year. The funds are to be used for working capital purposes. The loan is unsecured and bears interest at the rate 12% per annum for the first three months and thereafter bears interest at 22% per annum. The Company has the right to repay the loan at any time. The first amounts drawn down under the loan were received by the Company on February 19, 2019.

During the three and six-month periods ended March 31, 2019 interest charged in respect of the Arlington loan, amounted to \$21,142 and \$21,142, respectively [March 2018 – \$Nil and \$Nil, respectively], have been recorded in the condensed interim consolidated statement of loss. As at March 31, 2019, interest accrued but unpaid in respect of the Arlington loan, totaling \$21,142 (September 30, 2018 - \$Nil), has been recorded in the condensed interim consolidated statement of financial position under accounts payable and accrued liabilities.

#### 13. Provisions

As at March 31, 2019, in view of Etea Sicurezza 's current weakened liquidity position, lack of sufficient clarity on the business prospects 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. Accordingly, during the three and six-month periods ended March 31, 2019, the Company recognized a charge of \$1,334,950 and \$1334,950, respectively in respect the Etea Guarantee in the condensed interim consolidated statements of loss.

#### 14. Share capital

##### Authorized

##### Common

An unlimited number of common shares, voting, participating, without par value.

##### [a] Common shares

	Six-months ended March 31, 2019		Year ended September 30, 2018	
	#	\$	#	\$
Issued common shares	416,658,982	36,683,527	380,288,641	32,698,617
Share purchase loans to directors and officers	—	(162,134)	—	(362,860)
<b>Issued and fully paid common shares</b>	<b>416,658,982</b>	<b>36,521,393</b>	<b>380,288,641</b>	<b>32,335,757</b>

##### Issuances during the three and six-month periods ended March 31, 2019

[i] On December 12, 2018, the Company issued 35,167,001 common shares of LGC Capital at a deemed issue price of \$0.11 per share representing a total consideration of \$3,868,370 as payment for its 30% equity investment in Viridi [note 7[a]].

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- [ii] On December 12, 2018, the Company issued 703,340 common shares at a deemed issue price of \$0.11 per share for total consideration of \$77,367, to settle a 2% finders' fee associated with the Company's investment in Viridi [note 7[a]].
- [iii] During the three and six-month periods ended March 31, 2019, the Company issued 500,000 common shares at an average exercise prices of \$0.05 per share for total proceeds of \$25,000 upon the exercise of stock options, and an amount of \$14,173 related to exercised stock options were transferred from contributed surplus to share capital [note 14[b]].

#### Issuances during the three and six-month periods ended March 31, 2018

- [i] On October 12, 2017, as part of a subscription agreement signed with Little Green Pharma, the Company issued 5,660,000 common shares of LGC Capital at a deemed issue price of \$0.11 per share representing a total consideration of \$622,600 as part payment for a 4.99% initial investment in Little Green Pharma [note 5[b]].
- [ii] On December 1, 2017, the Company announced that it had raised gross proceeds of \$2,980,773 at a first closing of a private placement by issuing 19,871,822 units at a price of \$0.15 per unit. On December 7, 2017, the Company announced the completion of the private placement by issuing 5,000,000 additional units for gross proceeds of \$750,000 at a second closing. Each unit was composed of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of \$0.25 for a period of 18 months from the closing date. In the event that the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for a period of ten consecutive trading days is at least \$0.30, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants. As a result, using a valuation model based on stochastic simulations at the date of grant, the gross proceeds of the combined first and second closings, totaling \$3,730,773, was allocated \$2,583,846 to share capital and \$1,146,927 to warrants based on relative fair value [note 14[c]].

Concurrently, the Company issued a total of 1,100,828 broker compensation warrants, entitling holders to purchase one common share of the Company at a price of \$0.15 per share at any time for a period of 18 months from the closing date. The total fair value of broker compensation warrants was \$338,892, allocated to contributed surplus with the debit allocated \$234,709 to share capital and \$104,183 to warrants [note 14[c]].

In connection with this private placement, in addition to the broker compensation warrants, the Company also incurred professional fees and expenses of \$161,537 which have been pro-rated between share capital and warrants in the amounts of \$111,877 and \$49,660, respectively.

- [iii] On February 8, 2018, the Company issued 376,162 common shares of LGC Capital at a deemed issue price of \$0.675 per share representing a total consideration of \$253,909 as payment of costs related to issuance of the Debentures [note 11].
- [iv] On February 14, 2018, the Company issued 5,000,000 common shares of LGC Capital at a deemed issue price of \$0.53 per share representing a total consideration of \$2,650,000 as payment for an additional 3.08% investment in Little Green Pharma [note 5[b]].
- [v] On February 16, 2018, the Company announced that it had raised gross proceeds of \$8,054,025 at a closing of a private placement by issuing 18,515,000 units at a price of \$0.435 per unit. Each unit was composed of one common share and one common share purchase



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warrant. Each warrant entitles its holder to purchase one additional common share at a price of \$0.49 for a period of 36 months from the closing date. In the event that the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for a period of twenty consecutive trading days, commencing 4 months from the closing date, is at least \$0.65, the warrants will expire at the sole discretion of the Company on the 30th day after the Company sends a notice to the holders of the warrants. As a result, using a valuation model based on stochastic simulations at the date of grant, the gross proceeds were allocated \$4,880,470 to share capital and \$3,173,555 to warrants based on relative fair value [note 14[c]].

Concurrently, the Company issued a total of 1,110,900 broker compensation warrants, entitling holders to purchase one common share of the Company at a price of \$0.435 per share at any time for a period of 36 months from the closing date. The total fair value of broker compensation warrants was \$281,838, allocated to contributed surplus with the debit allocated \$170,784 to share capital and \$111,054 to warrants [note 14[c]].

In connection with this private placement, in addition to the broker compensation warrants, the Company also incurred professional fees and expenses of \$689,629 which have been pro-rated between share capital and warrants in the amounts of \$417,892 and \$271,737, respectively.

- [vi] On February 20, 2018, the Company issued 140,478 common shares of LGC Capital at a deemed issue price of \$0.40 per share representing a total consideration of \$56,000 as settlement of certain accounts payable and accrued liabilities.
- [vii] During the three and six-month periods ended March 31, 2018, the Company issued 13,018,779 and 13,118,779 common shares, respectively at an average exercise prices of \$0.08 and \$0.08 per share for a total proceeds of \$984,484 and \$998,484, respectively upon the exercise of stock options, and amounts of \$5,119,650 and \$5,140,650, respectively related to exercised stock options were transferred from contributed surplus to share capital [note 14[b]].
- [viii] During the three and six-month periods ended March 31, 2017, the Company issued 21,085,215 and 23,785,215 common shares, respectively at average exercise prices of \$0.15 and \$0.15 per share for a total proceeds of \$3,162,182 and \$3,567,182, respectively upon the exercise of share purchase warrants, and amounts of \$12,219,257 and \$13,002,257, respectively, related to exercised share purchase warrants were transferred from contributed surplus to share capital [note 14[c]].
- [ix] During the three and six-month periods ended March 31, 2017, the Company issued 940,000 and 940,000 common shares, respectively at average exercise prices of \$0.10 and \$0.10 per share for a total cash proceeds of \$94,000 and \$94,000, respectively upon the exercise of broker compensation warrants, and amounts of \$571,520 and \$571,520 respectively, related to exercised broker compensation warrants were transferred from contributed surplus to share capital [note 14[c]].

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**[b] Stock options (note 18(a))**

On December 8, 2017, the Board of Directors amended the 2016 Stock Option Plan so as to increase the number of shares that can be issued thereunder to 58,946,726 shares, equal to 20% of the 294,733,632 common shares of the Company's issued and outstanding at that date. The amendment to the 2016 Stock Option Plan was approved by the TSX-V and shareholders approved it at the Company's Annual General Meeting held on April 9, 2018.

The outstanding options as at March 31, 2019 and September 30, 2018 and the respective changes during the six-month period and the year then ended, are summarized as follows:

	<b>Six-month period ended March 31, 2019</b>		<b>Year ended September 30, 2018</b>	
	<b>Number of options #</b>	<b>Weighted average exercise price \$</b>	<b>Number of options #</b>	<b>Weighted average exercise price \$</b>
<b>Outstanding, beginning period</b>	<b>62,194,400</b>	<b>0.22</b>	46,513,179	0.28
Granted during the period	—	—	45,050,000	0.24
Cancelled during the period	—	—	(12,000,000)	(0.70)
Expiries during the period	<b>(5,500,000)</b>	<b>0.15</b>	(4,000,000)	(0.23)
Forfeited during the period	—	—	(500,000)	(0.16)
Exercised during the period	<b>(500,000)</b>	<b>(0.05)</b>	(12,868,779)	(0.07)
<b>Outstanding, end of period</b>	<b>56,194,400</b>	<b>0.22</b>	62,194,400	0.22

The following options are outstanding and exercisable as at March 31, 2019.

<b>Options outstanding</b>					
<b>Range of exercise price \$</b>	<b>Number outstanding #</b>	<b>Weighted average remaining contractual life (in years)</b>	<b>Weighted average exercise price \$</b>	<b>Number exercisable #</b>	<b>Weighted average exercise price \$</b>
0.050 to 0.749	2,394,400	3.00	0.05	2,394,400	0.05
0.100 to 0.149	6,000,000	2.56	0.11	6,000,000	0.11
0.150 to 0.199	21,300,000	2.99	0.16	21,100,000	0.16
0.200 to 0.249	8,000,000	1.75	0.23	8,000,000	0.23
0.350 to 0.399	18,500,000	8.69	0.36	18,500,000	0.36
<b>0.00 to 1.499</b>	<b>56,194,400</b>	<b>4.77</b>	<b>0.22</b>	<b>55,994,400</b>	<b>0.22</b>

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No stock options were granted during the three and six-month periods ended March 31, 2019. The fair value of stock options granted during the year ended September 30, 2018 were estimated at their respective grant dates using the Black-Scholes option pricing model, using the following weighted average assumptions:

	<b>Year ended September 30, 2018</b>
	<hr/>
Risk-free interest rate	1.92%
Expected volatility	180%
Dividend yield	Nil
Expected life [in years]	6.51
Share price at grant date	\$0.28
Fair value at grant date	<hr/> <b>\$0.27</b>

**[c] Warrants (notes 2.1 and 18(d))**

The outstanding warrants as at March 31, 2019 and September 30, 2018 and the respective changes during the six-month period and the year respectively then ended, are summarized as follows:

	<b>Six months ended March 31, 2019</b>		<b>Year ended September 30, 2018</b>	
	<b>Number of warrants #</b>	<b>Weighted average exercise price \$</b>	<b>Number of warrants #</b>	<b>Weighted average exercise price \$</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Outstanding balance, beginning of period / year</b>	<b>49,218,314</b>	<b>0.36</b>	32,968,000	0.15
Warrants issued during the period / year	<b>12,048,055</b>	<b>0.12</b>	45,030,586	0.36
Broker compensation warrants issued during the period / year	—	—	2,211,728	0.29
Warrants exercised in the period / year	—	—	(29,597,371)	(0.15)
Broker compensation warrants exercised in the period / year	—	—	(952,000)	(0.10)
Warrants expired during the period / year	<b>(1,643,764)</b>	<b>(0.70)</b>	(402,629)	(0.15)
Broker compensation warrants expired during the period / year	—	—	(40,000)	(0.10)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Outstanding balance, end of period / year</b>	<b>59,622,605</b>	<b>0.30</b>	<b>49,218,314</b>	<b>0.36</b>

As at March 31, 2019, the warrants outstanding had a weighted average life of 1.00 year and all warrants were exercisable [September 30, 2018 - 1.32 years].

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The fair value of warrants granted during the six-month period ended March 31, 2019 and the year ended September 30, 2018 were estimated at their respective grant dates using a valuation model based on stochastic simulations, using the following weighted average assumptions.

	<b>Warrants - Six-month period ended March 31, 2019</b>	<b>Warrants - Year ended September 30, 2018</b>
Risk-free interest rate	<b>2.00%</b>	1.68%
Expected volatility	<b>114%</b>	180%
Dividend yield	<b>Nil</b>	Nil
Expected life [in years]	<b>1.00</b>	2.10
Share price at grant date	<b>\$0.09</b>	\$0.41
Fair value at grant date	<b>0.03</b>	\$0.22

No broker compensation warrants were granted during the three and six-month periods ended March 31, 2019. The fair value of broker compensation warrants granted during the year ended September 30, 2018 were estimated at their respective grant dates using a valuation model based on stochastic simulations, using the following weighted average assumptions.

	<b>Broker compensation warrants - Year ended September 30, 2018</b>
Risk-free interest rate	1.64%
Expected volatility	180%
Dividend yield	Nil
Expected life [in years]	2.25
Share price at grant date	\$0.331
Fair value at grant date	\$0.281

**[d] Stock-based compensation**

For the three and six-month periods ended March 31, 2019, the stock-based compensation expense included in net loss, was \$10,240 and \$32,888, respectively [March 31, 2018 – \$28,786 and \$3,900,121, respectively] (note 4).

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#### 15. Related party transactions

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-month periods 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-month period ended March 31, 2019, the total amount for such services was \$156,786, which was recorded in directors' fees [March 31, 2018 – \$131,663]. For the six-month period ended March 31, 2019, the total amount for such services was \$327,201, which was recorded in directors' fees [March 31, 2018– \$224,671]. 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.

[b] Compensation of key management personnel and Board of Directors

Excluding the amounts reported above, during the three and six-month periods ended March 31, 2019 and 2018, the Company recorded the following compensation for key management personnel and the Board of Directors:

	Three-month period ended March 31		Six-month period ended March 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
Directors' fees	150,251	375,258	220,721	425,158
Management fees	200,203	28,500	354,344	52,500
Stock compensation	6,400	28,786	20,555	2,381,745
Total	356,854	432,544	595,620	2,859,403

#### 16. Financial instruments

##### General objectives, policies and procedures

The Company's objectives when managing capital are to safeguard its ability to continue its investments [note 1]. As such, the Company relies primarily on the equity markets to fund its activities. In order to carry out planned activities and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company has not paid any dividends.

The Company's Board of Directors has overall responsibility for the determination of the Company's risk management objectives and operating processes that ensure effective implementation of the policies set out below. The Company's Board of Directors receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

##### Principles of risk management

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

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The Company is exposed through its activities to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Foreign exchange risk.

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

#### **Credit risk**

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

The Company is exposed to credit risk from its cash, other receivables, loans receivable, convertible debentures receivable and royalty streams. The Company reviews the banks, financial institutions and other counterparties it deals with to ensure that standards of credit worthiness are maintained.

#### **Liquidity risk**

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

As at March 31, 2019, the Company had a total of \$1,245,839 in cash. Accounts payable and accrued liabilities have contractual maturities of 30 days or less and are subject to normal trade terms, and amounts due to related parties are due on demand. Other loans payable mature within one year.

#### **Market risk analysis**

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

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

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

- The consolidated statement of financial position sensitivity relates to foreign currency denominated cash, other receivables, Equity investments, and accounts payable and accrued liabilities.
- The sensitivity of the relevant net loss is the effect of the assumed changes in foreign currency. This is based on the financial assets and financial liabilities held at March 31, 2019 and September 30, 2018 and constant throughout the period/year.
- The impact on other comprehensive loss/income where applicable

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#### Foreign exchange risk

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

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

As at March 31, 2019 the exposure of the Company to foreign exchange rates is summarized as follows:

	GBP	USD	AUD	EUR	CHF
Cash	15,606	24,250	57,418	76,295	—
Equity investments	—	264,060	3,913,398	—	—
Other receivables	—	—	—	113,101	—
Loans receivable	—	150,000	—	182,729	—
Convertible debentures receivable	—	—	—	833,684	—
Royalty streams	—	—	—	1,281,316	1,205,973
Accounts payable and accrued liabilities	(11,116)	(44,599)	—	(273,135)	(24,274)
Convertible debentures payable – host debt component	—	(2,340,000)	—	—	—
<b>Total</b>	<b>4,490</b>	<b>(1,946,289)</b>	<b>3,970,816</b>	<b>2,213,990</b>	<b>1,181,699</b>

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at March 31, 2019. This sensitivity does not represent the consolidated statement of loss and comprehensive loss impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

If the Canadian dollar had gained or lost 5% against each of the following currencies the increase (decrease) in net comprehensive loss for the six-month period ended March 31, 2018 would have been as follows:

Fluctuation in foreign currency rate	Impact on net comprehensive loss				
	CAD/GBP rate	CAD/USD Rate	CAD/AUD rate	CAD/EUR rate	CAD/CHF rate
	\$	\$	\$	\$	\$
+ 5%	391	(129,910)	187,813	143,644	79,289
- 5%	(391)	129,910	(187,813)	(143,644)	(79,289)

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#### **17. Contingent liabilities and commitments**

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

As at March 31, 2019, the Company's commitments amounted to EUR885,000 under the Evolution Debenture, which was fully advanced subsequent to period end.

#### **18. Subsequent events**

##### **[a] 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 Venture Exchange.

##### **[b] 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");
- the appointment of Mark Shinnars as the new CFO;
- that Mr. Richard Widmann had been appointed Executive Vice President of Commercial;
- that Mr. Mervyn Koenen had been appointed Vice President of Commercial Finance;
- that Ms. Jeanne van Wyk had been appointed Vice President of Communications; and
- that Mr. Alistair Hide had been appointed Vice President of Corporate and Regulatory Affairs.

##### **[c] Arlington private placement**

On May 2, 2019, the Company announced that it has closed the first tranche of its previously announced \$10,400,000 non-brokered private placement financing with Arlington (note 12). The Company has issued a total of 80,000,000 common 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.

##### **[d] 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 Capital'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.



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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 Capital'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.

#### **[e] 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 the 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.

#### **[f] 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, additional shares in Australia's licensed medical cannabis producer Little Green Pharma that would increase its equity ownership from 14.1% up to 40.4% on completion.

Subject to TSXV approval, LGC Capital will pay to the vendor of the shares, AUD5,500,000. Closing of this transaction is expected to be within 95 days of signing the agreement.

#### **[g] Evolution**

On May 21, 2019, the Company transferred a net amount of EUR627,590 to Evolution reflecting the final tranche of the EUR885,000 less accrued interest up to May 15, 2019 and associated costs in connection with the Evolution Debenture. As of the date the Board of Directors approved these condensed interim consolidated financial statements, there were no further amounts undrawn or committed.