



Lineage Announces Strategic Partnership in Washington State, Acquisition Letter of Intent in Oregon and Provides an Update on the Colorado JV With Nutritional High

TORONTO, Dec. 21, 2017 -- Lineage Grow Company Ltd. (the "**Company**" or "**Lineage**") wishes to provide an update on acquisition and strategic partnership opportunities in the U.S. Pacific Northwest and clarify the plan to establish a Colorado joint-venture with Nutritional High International Inc. ("**Nutritional High**").

Corporate Update

Lineage is forging a new path in this rapidly expanding market with a unique business model that includes projects in the following U.S. states which have legalized cannabis for medical and adult-use:

- **Washington:** Entering into a strategic partnership with Tier 2 licensed producer processor to whom Lineage will provide consulting services and license intellectual property.
- **Oregon:** Entered into a letter of intent to acquire two retail dispensary locations with a view towards establishing a vertically-integrated cannabis operation focused on serving the premium quality segment of the Oregon cannabis market.
- **Colorado:** Temporarily delaying the build-out of a 18,000 ft² cultivation facility in Pueblo, Colorado pending clarity with respect to the intended tenant's licensing status.

Washington Strategic Partnership

Lineage is pleased to announce that it has entered into a letter of intent ("**LOI**") in Washington State outlining the basis upon which, subject to regulatory review, Lineage will form a strategic partnership with Mt. Baker Greeneries, LLC ("**Mt. Baker**") (the "**Washington Agreement**").

Mt. Baker currently operates a cannabis cultivation and extraction facility located in Bellingham, Washington and holds a Tier 2 Producer Processor license issued by the Washington Liquor and Cannabis Board ("**WSLCB**"). In connection with the Washington Agreement, Lineage and Mt. Baker will enter into certain agreements whereby Lineage will license proprietary intellectual property to Mt. Baker, provide Mt. Baker with services and non-cannabis materials, lease equipment and employees to Mt. Baker, and provide consulting services to Mt. Baker. The Company will work with Mt. Baker to maximize the efficiency of their cultivation operations by deploying innovative agricultural and technological solutions in concert with effective brand management practices.

In the State of Washington, Lineage will focus on providing services to the industry rather than directly owning production or retail operations. In connection with the Washington Agreement, Lineage will not be directly involved in the production operations of Mt. Baker but rather will provide ancillary services to Mt. Baker.

Oregon: Terpene Station Acquisition

Lineage is pleased to announce that the Company has signed a letter of intent ("**LOI**") to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland (the "**Acquisition**").

The Acquisition comprises a chain of two retail dispensary stores in Oregon operating under the "Terpene Station" brand name with locations in southeast Portland and downtown Eugene. Terpene Station is a leading cannabis retailer in Oregon involved with the marketing and sale of cannabis flower, edibles, and oils with the Portland location being the first Oregon Liquor Control Commission ("**OLCC**") licensed recreational store in the State.

Transaction Highlights

- Structured as an asset purchase transaction
- US\$1.2 million total purchase price with US\$800,000 payable in cash and US\$400,000 payable as a 2-year note
- Provides foothold in the growing Oregon retail dispensary market
- 5,600 ft² of retail space across two locations in Portland and Eugene
- Retail platform to support future assets to be acquired
- Existing base of revenue-generating assets positioned in the adult-use market
- Opportunity to improve performance by deploying best-in-class operating procedures and branding strategies.

Completion of the Acquisition will be subject to satisfactory completion of due diligence, execution of a definitive agreement, and all required approvals and consents, including the approval of the OLCC for the transfer of the licences. There can be no assurance that the Acquisition will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the CSE listing statement relating to the Acquisition or in the business acquisition report to be prepared in connection with the Acquisition, any information released or received with respect to the Acquisition may not be accurate or complete and should not be relied upon.

Oregon Strategy

In Oregon, Lineage's objective is to establish a vertically integrated cannabis operation to manufacture and sell premium quality cannabis branded products. The acquisition of two retail dispensaries is in line with this objective and puts the Company in an advantageous position when structuring transactions to acquire cultivation operations up the value chain. Lineage is currently engaged in discussions with Oregon-based cultivators with a view towards entering into additional acquisitions in the near future. Lineage expects the Terpene Station transaction to provide several key strategic benefits including brand expansion and distribution, a leading dispensary position in Oregon, and other synergy opportunities.

Colorado Joint-Venture

Lineage wishes to provide an update on the status of the joint-venture ("**Colorado JV**") with Nutritional High International Inc. ("**Nutritional High**").

Palo Verde LLC ("**Palo Verde**"), a tenant at Nutritional High's extraction facility in Pueblo, Colorado ("**Pueblo Facility**"), was advised by the Colorado Marijuana Enforcement Division ("**MED**"), the State regulator of the legal marijuana industry in Colorado, that its application for a renewal of a license to cultivate retail cannabis (the "**OPC License**") has received a notice of denial ("**NOD**").

Palo Verde has previously applied for renewal of the OPC License which was previously granted to Palo Verde but has subsequently expired. Under the terms of the Colorado JV, it was intended that Nutritional High would lease the two buildings at its Pueblo Facility to Lineage, which would then be sub-leased to Palo Verde. It was intended that upon completing the build-out, obtaining requisite State and local approvals, and obtaining the renewal of the OPC License, Palo Verde would cultivate retail cannabis for sale to licensed dispensaries and infused product manufacturers in the State.

Palo Verde has advised that it is undertaking an administrative process to determine if the OPC License renewal was improperly denied by the MED and contest the denial. In light of these developments, Lineage will temporarily delay moving forward with the Colorado JV until there is greater clarity surrounding Palo Verde's ability to secure an OPC license.

The Company is in the process of negotiating with Nutritional High to amend the letter of intent it entered into with Nutritional High on February 22, 2017 as amended on June 30, 2017 to address the delay of the Colorado JV and the proposed Washington Agreement and will provide a further update in this regard.

Appointment of Keith Li to Chief Financial Officer

Lineage is pleased to announce the appointment of Keith Li as its Chief Financial Officer. As CFO, Mr. Li replaces Amy Stephenson as the Company's CFO. Mr. Li is a finance professional with over 10 years of corporate accounting and audit experience. He specializes in providing management advisory services, accounting and regulatory compliance services to companies in a number of industries. Mr. Li began his career in the public accounting sector as an auditor at UHY McGovern Hurley LLP. Prior to joining Lineage, Mr. Li held senior level positions for several publicly-held and private companies. Mr. Li is a Chartered Professional Accountant (CPA, CA) and holds a Bachelor of Commerce from McGill University.

David Drutz, CEO of Lineage, commented: "We are pleased to announce the appointment of Keith as our new CFO, and cordially welcome him to the Company. Mr. Li is joining the Company at a critical time when the Company is beginning to develop its presence in the cannabis space. His financial reporting experience will be invaluable in documenting the Company's performance in various jurisdictions and we are glad to have him on board. I would also like to take a moment to thank Amy Stephenson on behalf of the Company's executive team for her services and wish her the best in her new endeavors."

Listing and Concurrent Financing Update

The Company will be delaying its listing on the Canadian Securities Exchange ("**CSE**") until the necessary disclosures have been made with respect to the Washington Agreement and the delay in the Colorado JV. As such, the Company will be amending the terms of the Concurrent Financing (please see press release dated October 31, 2017) such that subscribers who waive final listing approval from the CSE as a closing condition will be entitled to receive one full warrant, instead of one-half (1/2) of one warrant ("**Warrant**"). Each whole Warrant will entitle the holder to purchase one Common Share at a price of \$0.325 per Common Share until the date which is twenty-four (24) months following the closing date of the Concurrent Financing, whereupon the Warrants will expire.

Management Commentary

“Pursuing acquisitions and strategic partnerships to establish our footprint in the U.S. Pacific West Coast is the direct consequence of our aggressive growth strategy,” said David Drutz, CEO of Lineage. “Our team’s established industry presence creates opportunities to pursue attractive targets in the very fragmented and undercapitalized U.S. cannabis space. We intend to complete these transactions shortly, following which we will announce further details on our intentions to develop the assets to be acquired and the projects in our portfolio.”

About Lineage Grow Company Ltd.

Lineage Grow Company Ltd. is a reporting issuer that is conditionally approved to list on the Canadian Securities Exchange (“CSE”). Lineage is focused on establishing, either directly or through joint venture with licenced producers, state-of-the-art cultivation facilities and a view towards developing a dominant brand of premium quality craft cannabis. Lineage is seeking to deploy advanced cultivation techniques and best-of-breed genetics to develop brands of craft cannabis known for emphasizing the unique flavors, smells, and potencies of each individual strain. By leveraging innovative agricultural and technological solutions, Lineage intends to optimize the variable costs associated with cannabis cultivation and successfully produce craft cannabis at a commercially viable industrial scale.

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This news release may contain forward-looking statements and information based on current expectations. Any such forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. Forward looking information in this news release includes the following statements: (i) management's plan to establish a Colorado joint-venture with Nutritional High, (ii) management's expectation to enter into the Washington Agreement and the terms of the agreement, (iii) management's intention to focus on providing services to the marijuana industry rather than directly owning production or retail operations in Washington, (iv) management's expectation of completing the Acquisition and the expected terms of the Acquisition, (v) management's expectation of establishing a vertically-integrated cannabis operation focused on serving the premium quality segment of the Oregon cannabis market, (vi) management's plan of entering into additional acquisitions in Oregon in the near future, (vii) management's expectation that the Acquisition will provide key strategic benefits including brand expansion and distribution, a leading dispensary position in Oregon and other synergy opportunities, (viii) management's intention to amend the letter of intent with Nutritional High and to issue a further update, (ix) management's intention to complete the proposed transactions shortly and intention to announce further details on intentions to develop the assets to be acquired and the projects in the Company's portfolio, and (x) management's plan to deployment advanced cultivation techniques and best-of-breed genetics, and (xi) Lineage's intention to optimize the variable costs associates with cannabis cultivation and successfully produce craft cannabis at a commercially viable industrial scale.

These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Such risks include operational risks; U.S. federal regulation risks; variation in state regulations; change of cannabis laws; security risks; risks related to operational permits and authorizations; risks on liability, enforcement complaints etc.; banking risks; risk that the Company's limited operating history makes evaluating its business and prospects difficult; need for funds; risk that the Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs; risk that the Company may need to incur significant expenses to enforce its proprietary rights, and if the Company is unable to protect such rights, its competitive position could be harmed; risks related to trade secrets; risk that Company is dependent upon its existing management, its key research and development personnel and its growing and extraction personnel, and its business may be severely disrupted if it loses their services; risk of potential for conflict of interest; risk related to inability to innovate and find efficiencies; competition risks; risk that a drop in the retail price of medical marijuana products may negatively impact the business; consumer acceptance of marijuana; potential future acquisitions and/or strategic alliances may fail to materialize and may have an adverse effect on the Company's ability to manage its business; risk on management of growth; risk related to general economic trends; tax risk and currency fluctuation risks. There is no certainty that any of these events will occur. Although such statements are based on management's reasonable assumptions, there can be no assurance that such assumptions will prove to be correct. We assume no responsibility to update or revise them to reflect new events or circumstances.

Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or “U.S. Persons”, as such term is defined in Regulation S under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful.

Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the

forward-looking information contained herein. All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by applicable securities laws.