LINEAGE GROW
COMPANY LTD.

(formerly Lakeside Minerals Inc.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Lineage Grow Company Ltd. (formerly Lakeside Minerals Inc.) are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 – Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"David Drutz"
David Drutz
Chief Executive Officer

"Keith Li"
Keith Li
Chief Financial Officer

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	As at October 31, 2017 $	As at January 31, 2017 $
Assets			
Current assets			
Cash		**2,533,556**	606,695
HST and other receivables	6	**38,142**	14,806
Prepaid expenses		**20,683**	833
Total assets		**2,592,381**	622,334
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	**387,069**	113,190
Convertible debentures	8	**-**	52,316
		387,069	165,506
Non-current liabilities			
Convertible debentures	8	**1,794,785**	-
Total liabilities		**2,181,854**	165,506
Shareholders' Equity			
Share capital	9	**4,991,623**	4,838,430
Conversion component of convertible debentures	8	**354,342**	8,824
Reserve for warrants	10	**1,032,056**	907,417
Reserve for share-based payments	11	**71,360**	31,175
Reserve for foreign exchange translation		**(3,919)**	-
Accumulated deficit		**(6,034,935)**	(5,329,018)
Total shareholders' equity		**410,527**	456,828
Total liabilities and shareholders' equity		**2,592,381**	622,334

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APPROVED ON BEHALF OF THE BOARD

"David Drutz" (Director) **"Peter Bilodeau"** (Director)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

		Three months ended October 31,		Nine months ended October 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Expenses					
Management, consulting fees and salaries	12	**77,539**	24,000	**217,439**	66,000
Professional fees		**115,579**	5,043	**223,685**	11,723
Share-based compensation	11	**27,910**	-	**40,185**	-
Office and general		**44,889**	2,985	**70,897**	18,588
Exploration and evaluation expenditures	5	**2,527**	-	**18,826**	-
Loss from operations		**(268,444)**	(32,028)	**(571,032)**	(96,311)
Other income (expenses)					
Interest and other income		**-**	54	**-**	54
Gain on settlement of debt	8	**-**	6,007	**-**	6,007
Income tax recovery	8	**-**	-	**124,574**	-
Finance cost	8	**(136,080)**	(5,438)	**(259,459)**	(18,637)
Net loss		**(404,524)**	(31,405)	**(705,917)**	(108,887)
Other comprehensive loss					
Exchange differences on translating foreign operations		**(2,372)**	-	**(3,919)**	-
Net loss and comprehensive loss		**(406,896)**	(31,405)	**(709,836)**	(108,887)
Weighted average number of shares outstanding – basic and diluted	9	**32,246,740**	24,745,216	**32,159,968**	24,745,216
Loss per share – basic and diluted	9	**(0.013)**	(0.001)	**(0.022)**	(0.004)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

		Three months ended October 31,		Nine months ended October 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Operating activities					
Net loss for the period		**(404,524)**	(31,405)	**(705,917)**	(108,887)
Adjustments for:					
Finance cost	8	**136,080**	5,438	**259,459**	18,637
Stock-based compensation	11	**27,910**	-	**40,185**	-
Income tax recovery	8	**-**	-	**(124,574)**	-
		(240,534)	(25,967)	**(530,847)**	(90,250)
Change in non-cash working capital:					
HST and other receivables	6	**(13,781)**	34,411	**(23,336)**	4,997
Prepaid expenses		**(12,053)**	-	**(11,219)**	-
Accounts payable and accrued liabilities	7	**105,660**	57,607	**273,879**	150,510
		79,826	92,018	**239,324**	155,507
Net cash flows (used in) from operating activities		**(160,708)**	66,051	**(291,523)**	65,257
Financing activities					
Proceeds from convertible debentures (net of issuance cost)	8	**-**	-	**2,219,185**	-
Share issue costs		**-**	(3,468)	**-**	(3,468)
Shares issued for debt		**-**	(6,007)	**-**	(6,007)
Proceeds from exercise of warrants	9, 10	**-**	-	**3,118**	-
Net cash flows (used in) from financing activities		**-**	(9,475)	**2,222,303**	(9,475)
(Decrease) increase in cash		**(160,708)**	56,576	**1,930,780**	55,782
Effects of exchange rate changes on cash		**(2,372)**	-	**(3,919)**	-
Cash, beginning of the period		**2,696,636**	467	**606,695**	1,261
Cash, end of period		**2,533,556**	57,043	**2,533,556**	57,043

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the nine months ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

		Share Capital		Reserves					
	Notes	Number of Shares #	Amount $	Share-Based Payments $	Conversion Component of Convertible Debentures $	Warrants $	Foreign Exchange Transalation $	Accumulated Deficit $	Total $
Balance, January 31, 2016		**8,248,405**	**3,720,304**	**160,374**	**6,002**	**712,901**	**-**	**(5,056,558)**	**(456,977)**
Share issuance costs	8	-	(3,468)	-	-	-	-	-	(3,468)
Equity component of convertible debentures	8	-	-	-	2,822	-	-	-	2,822
Net loss for the period		-	-	-	-	-	-	(108,887)	(108,887)
Balance, October 31, 2016		**8,248,405**	**3,716,836**	**160,374**	**8,824**	**712,901**	**-**	**(5,165,445)**	**(566,510)**
Issued for cash consideration:									
Private placement	9	22,000,000	1,100,000	-	-	-	-	-	1,100,000
Warrants issued on private placement	10	-	(220,000)	-	-	220,000	-	-	-
Share issuance costs	9	-	(18,187)	-	-	(6,187)	-	-	(24,374)
Issued for non-cash consideration:							-		
Issued for settlement of debt	9	1,596,818	79,841	-	-	(15,968)	-	-	63,873
Warrants issued for debt settlements	10	-	-	-	-	15,968	-	-	15,968
Warrants exercised	10	895	273	-	-	(4)	-	-	269
Warrants expired		-	19,293	-	-	(19,293)	-	-	-
Stock options exercised	11	-	-	31,175	-	-	-	-	31,175
Stock options expired		-	160,374	(160,374)	-	-	-	-	-
Net loss for the period		-	-	-	-	-	-	(163,573)	(163,573)
Balance, January 31, 2017		**31,846,118**	**4,838,430**	**31,175**	**8,824**	**907,417**	**-**	**(5,329,018)**	**456,828**
Issued for non-cash consideration:									
Issued for debenture interest	9,10	600,000	150,000	-	-	-	-	-	150,000
Warrants issued on private placement	10	-	-	-	-	140,100	-	-	140,100
Warrant issuance costs	10	-	-	-	-	(15,387)	-	-	(15,387)
Equity component of convertible debentures	8	-	-	-	345,518	-	-	-	345,518
Warrants exercised	9	3,665	3,298	-	-	-	-	-	3,298
Warrants expired	10	-	74	-	-	(74)	-	-	-
Vesting of stock options	11	-	-	40,185	-	-	-	-	40,185
Prior year adjustment		(600)	(179)	-	-	-	-	-	(179)
Exchange loss on translating foreign operation		-	-	-	-	-	(3,919)	-	(3,919)
Net loss for the period		-	-	-	-	-	-	(705,917)	(705,917)
Balance, October 31, 2017		**32,449,183**	**4,991,623**	**71,360**	**354,342**	**1,032,056**	**(3,919)**	**(6,034,935)**	**410,527**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Lineage Grow Company Inc. (the "Company") was engaged in the acquisition, exploration and development of mineral resource properties in Canada. On July 25, 2017, the Company through an Article of Amendment, changed its name to Lineage Grow Company Ltd. to reflect the change of business to focus in the cannabis industry in the United States. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

As at October 31, 2017, the Company had a working capital of $2,205,312 (January 31, 2017 – $456,828) and an accumulated deficit of $6,034,935 (January 31, 2017 – $5,329,018). The Company has not yet achieved profitable operations, and expects to incur further losses in the development of its business including joint-venture commitments to build cannabis cultivation facilities in various US states. The cannabis business may be subject to government licensing requirements or regulations, and non-compliance with regulatory requirements.

The Company continued to hold mining claims in Quebec and has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory, social and environmental requirements.

The business of cannabis cultivation involves a high degree of risk, and there can be no assurance that planned programs will result in profitable operations. The Company's ability to continue as a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The uncertainty of the cannabis cultivation business and limited working capital may cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities and the reported expenses that might be necessary should the Company be unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with *International Accounting Standards 34 – Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements.

These unaudited condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on December 28, 2017.

2.2 Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis.

In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of Consolidation

These unaudited condensed interim consolidated financial statements incorporate the accounts of Lineage Grow Company Ltd. and its wholly-owned subsidiaries: Lakeside Minerals Corp., 1183290 Alberta Inc., Unite Capital Corp., LGC Technologies Inc., LGC Holdings USA Inc., LGC Real Estate Holdings LLC, LGC Real Estate (Colorado) LLC and LGC Agricultural Operations Inc.

2.4 Changes in Accounting Policies and Recent Accounting Pronouncements

The Company had adopted the following new standards, effective February 1, 2017. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's unaudited condensed interim consolidated financial statements:

- *IAS 7 – Statement of Cash Flows* was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- *IAS 12 – Income Taxes* was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

The IASB and the IFRIC have issued certain pronouncements that are mandatory for accounting periods commencing on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not early adopted and is currently assessing the impact of adopting the following standards or amendments will have on the Company's financial statements.

- *IFRS 9 – Financial Instruments ("IFRS 9")* was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

- *IFRS 16 – Leases ("IFRS 16")* was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under 12 months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 – Revenue from Contracts with Customer has also been applied.

3. CAPITAL MANAGEMENT

The Company's objective in managing its capital structure is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current outlook of the business and industry in general. To maintain or adjust the capital structure, the Company may issue new shares or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) reducing or eliminating exploration expenditures which are of limited strategic value; and
(iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess and acquire an interest in new business opportunities if it feels there is sufficient potential and if it has adequate financial resources to do so.

As at October 31, 2017, the Company's capital consists of share capital, conversion component of convertible debentures, reserves and deficit in the amount of $410,527 (January 31, 2017 – $456,828).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended October 31, 2017.

The Company is not subject to externally imposed capital requirements.

4. RISK FACTORS

Fair Value

The carrying amounts of cash, other receivables, convertible debentures and accounts payables and accrued liabilities on the consolidated statements of financial position approximate fair value due to the relative short maturity of these financial instruments.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash balances and other receivables. Cash is held with a reputable Canadian chartered bank and in trust by the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments included in cash and other receivables is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. See Note 1 for the Company's requirement for additional financing to conduct its planned work, to meet ongoing levels of corporate overhead, and to discharge its liabilities as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at October 31, 2017, the Company had a cash balance of $2,533,556 (January 31, 2017 – $606,695) to settle current liabilities of $387,069 (January 31, 2017 – $165,506).

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION EXPENDITURES

The Company was engaged, in acquiring, exploring, and developing mineral properties in the jurisdiction of Quebec. As at October 31, 2017, Lineage holds one main property, the Launay Property, for which the Company had incurred exploration and evaluation expenditures of $18,826 during the nine months ended October 31, 2017 (2016 – $nil).

Launay Property

- 21 claims are under option agreement for the Company to acquire a 100% interest, subject to property payment, work commitments and subject to a 2% net smelter returns royalty ("NSR") with buyback of 1% NSR for $1,000,000.

- 15 claims were acquired from Melkior Resources Inc. through issuance of the Company's shares, and are held 100% by the Company. 9 of these claims are subject to an underlying 2% NSR with buyback of 1% NSR for $1,000,000; the other 6 claims are subject to a 1% NSR with total buyback for $500,000.

- 11 claims were acquired from Jack Stoch Geoconsultant Services Ltd. through issuance of the Company's shares and are subject to a 2% Gross Metal Royalty ("GMR"). The Company has the option of first refusal to buy back a 1% GMR. All these claims are 100% held by the Company.

- 3 claims were acquired from 9219-8845 Québec Inc. (Canadian Mining House) through issuance of the Company's shares and are subject to a 2% NSR with a buyback of 1% NSR for $1,000,000. All these claims are 100% held by the Company.

- 13 other claims were staked and are 100% held by the Company.

6. HST AND OTHER RECEIVABLES

The Company's HST and other receivables arise from harmonized services tax, and amounts due from government taxation authorities. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables, which are due in less than one year.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, professional fees, amounts payable for financing activities and payroll liabilities.

The following is an aged analysis of the accounts payables and accrued liabilities:

		October 31, 2017		January 31, 2017
Less than 90 days	**$**	**384,501**	$	79,549
Greater than 90 days		**2,568**		33,641
Total accounts payable and accrued liabilities	**$**	**387,069**	$	113,190

8. CONVERTIBLE DEBENTURES

On September 16, 2014, the Company closed a non-brokered private placement of an unsecured convertible debenture under SIDEX's program "Field Action 2014" (the "SIDEX Debentures") for gross proceeds of $50,000. The SIDEX Debentures matured 2 years from the closing date. As an incentive for purchasing these debentures, the Company issued 333,333 warrants on closing. Each warrant is exercisable into shares at a price of $0.15 per share for the first year and $0.30 per share in the second year from the closing date and had a value of $19,293. These warrants expired on September 16, 2016.

8. CONVERTIBLE DEBENTURES (continued)

On September 16, 2016, the Company extended the terms and the maturity date of the SIDEX Debentures until September 17, 2017. These debentures were issued at face value and were convertible, at the option of the holder, at any time prior to the maturity date, into common shares of the Company at a conversion price equal to $0.30 per share from September 17, 2016 until September 16, 2017. The rate of interest on the debentures is 12% per annum, to be accrued until and payable on the maturity date. Subsequent to the end of the quarter, the maturity date of the SIDEX Debentures were further extended to March 16, 2019 (see Note 15 for further details).

On May 12, 2017, the Company closed a brokered private placement offering of convertible debentures (the “Offering”) for 2,500 units for gross proceeds of $2,500,000. The Offering is in accordance with the proposed transaction with Nutritional High International Inc. (“NHII”) regarding the building of cannabis cultivation facilities in Nevada and Colorado. The issue price of each unit was $1,000 and consisted of:

(i) $1,000 principal amount of 12.0% convertible secured redeemable debentures; and
(ii) 4,000 warrants exercisable into common shares in the capital of the Company at a price of $0.325 for a period of 24 months.

The debentures rank pari passu and mature 24 months from the closing date, and are convertible at the option of the holder at any time prior to the maturity date into common shares of the Company at a conversion price of $0.25 per share. The debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance, with the first interest payment due at the closing of the Offering and paid from the issuance of 600,000 common shares of the Company at an issue price of $0.25 per common share (see Note 9).

The conversion price of the debentures is subject to the following adjustments:

- If the Company completes an equity financing, within eight months of the date of the Offering, at a price less than $0.30 per common share (the “Equity Financing Price”), the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to a price equal to a 20% discount to the Equity Financing Price; and

- If the Company completes an equity financing, at any time that the debentures remains outstanding, at an Equity Financing Price of less than $0.25 per common share, the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Equity Financing Price.

The warrant exercise price is subject to the following adjustment:

- If the Company issues warrants, at any time that the debentures remain outstanding, with an exercise price of less than $0.325 (the “Equity Financing Warrant Price”), the warrant exercise price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Equity Financing Warrant Price.

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than face value. The discount is being accreted over the term of the debentures utilizing the effective interest rate method at a 36% discount rate.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURES (continued)

The following table reflects the changes to the convertible debentures:

Balance, January 31, 2016	**$**	**39,196**
Change in value of convertible debenture on extension		(8,829)
Gain on settlement of convertible debenture		6,007
Interest accrued		(6,000)
Interest expense		6,026
Accretion expense		15,916
Balance, January 31, 2017	**$**	**52,316**
Debentures Issued		2,500,000
Transaction costs relating to convertible debentures – warrants, net of tax		(124,713)
Transaction costs relating to convertible debentures – cash		(280,815)
Conversion component of convertible debenture, net of tax		(345,518)
Interest expense		145,858
Accretion expense		113,601
Interest paid		(141,370)
Deferred tax liability		(124,574)
Balance, October 31, 2017	**$**	**1,794,785**

9. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares. Common shares issued and outstanding are as follows:

		October 31, 2017		January 31, 2017
Issued: 32,449,183 common shares (January 31, 2017 – 31,846,118)	**$**	**4,991,623**	$	4,838,430

Share capital transactions for the nine months ended October 31, 2017

On May 12, 2017, the Company issued 600,000 common shares at a price of $0.25 per common share, to satisfy the first semi-annual interest payment for the convertible debentures offering (see Note 8).

On June 26, 2017, the Company issued 3,665 common shares at a price of $0.30 per common share, as a result of the exercise of the Company's Initial Public Offering warrants, for proceeds of $3,118. The warrants were exercised at a weighted average exercise price of $0.30 per warrant.

(Expressed in Canadian Dollars)

10. RESERVE FOR WARRANTS

Warrant activity for the nine months ended October 31, 2017 is summarized as follows:

	Number of warrants	Weight average exercised price ($)
Balance, January 31, 2017	**14,643,514**	**0.17**
Issued	10,000,000	0.325
Issued	400,000	0.25
Expired	(2,019,296)	0.30
Exercised	(3,665)	0.30
Balance, October 31, 2017	**23,020,553**	**0.23**

On May 12, 2017, the Company completed the Offering of $2,500,000 of convertible debentures (Note 8). In conjunction with the Offering, the Company issued 10,000,000 warrants at an exercise price of $0.325 per share, and 400,000 broker warrants at an exercise price of $0.25 per share. The Company used the Black-Scholes valuation model to estimate the grant date fair value of warrants issued during the period using the following assumptions:

	Warrants	Broker Warrants
Number of warrants	10,000,000	400,000
Share price	$0.035	$0.035
Exercise price	$0.325	$0.25
Expected life	2 years	2 years
Volatility (i)	157%	157%
Risk-free interest rate	0.68%	0.68%
Dividend yield	-	-
Fair value of warrants	**$ 134,140**	**$ 5,963**

(i) Expected volatility is based on historical volatility.

The following table summarizes information of warrants outstanding as at October 31, 2017:

Date of Expiry	Number of warrants	Exercise price ($)
November 16, 2017	4,100,000	0.10
December 9, 2017	6,900,000	0.10
December 12, 2017	798,409	0.10
March 26, 2018	488,811	1.20
March 16, 2019 (see Note 8)	333,333	0.21
May 12, 2019	10,000,000	0.325
May 12, 2019	400,000	0.25
	23,020,553	**0.10**

11. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan (the “Plan”) whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the aggregate number of shares outstanding. As at October 31, 2017, the Company has 74,918 common shares that are issuable under the Plan. The exercise price and vesting terms are determined by the Board of Directors.

(Expressed in Canadian Dollars)

11. RESERVE FOR SHARE-BASED PAYMENTS (continued)

Stock option activity for the nine months ended October 31, 2017 and 2016 is as follows:

		October 31, 2017		October 31, 2016
	Weighted average exercise price ($)	**Number of options**	Weighted average exercise price ($)	Number of options
Outstanding, beginning of year	**0.10**	**3,170,000**	4.80	12,500
Granted	**-**	**-**	-	-
Expired	**-**	**-**	4.80	(12,500)
Outstanding, end of period	**0.10**	**3,170,000**	-	-
Exercisable, end of period	**0.10**	**1,533,334**	-	-

The following table summarizes information of options outstanding and exercisable as at October 31, 2017:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price ($)**	**Weighted average remaining contractual life (Years)**
December 12, 2017	170,000	170,000	0.10	0.12
February 17, 2018	85,000	85,000	0.10	0.30
December 12, 2021	2,455,000	818,334	0.10	4.12
December 12, 2021	460,000	460,000	0.10	4.12
	3,170,000	**1,533,334**	**0.10**	**3.80**

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

On October 15, 2010, the Company and FMI Capital Advisory Inc. ("FMI") entered into a financial advisory and consulting agreement, subsequently amended on May 30, 2017. Peter Bilodeau, a director of the Company, is also the President of FMI. FMI is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"). FFHC is an entity in which Adam Szweras, the secretary of the Company is a director and whereas his minor children hold an indirect interest. For the nine months ended October 31, 2017, consulting fees from FMI were $108,000 (2016 – $18,000). As at October 31, 2017, $58,680 (January 31, 2017 – $nil) is included in accounts payable and accrued liabilities in relation to FMI. This amount is unsecured, non-interest bearing and due on demand.

On March 1, 2014, the Company and Branson Corporate Services ("Branson") entered into a management services agreement, providing for Chief Financial Officer services of the Company, as well as other accounting and administrative services. Branson is an entity in which FFHC owns 49% of the shares. For the nine months ended October 31, 2017, the Company recorded $45,000 (2016 – $45,000) for services provided by Branson. As at October 31, 2017, $nil (January 31, 2017 – $nil) is included in accounts payable and accrued liabilities in relation to Branson.

During the nine months ended October 31, 2017, Fogler Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras, the secretary of the Company is also a partner, provided $85,200 (2016 – $nil) of legal services, which are included in professional fees. As at October 31, 2017, $22,816 (January 31, 2017 – $72,094) is included in accounts payable and accrued liabilities in relation to Fogler. This amount is unsecured, non-interest bearing and due on demand.

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

During the nine months ended October 31, 2017, $nil (2016 – $nil) was paid to directors or officers of the Company, included in management, consulting fees and salaries in the statement of loss. As at October 31, 2017, $48,000 (January 31, 2017 – $nil) is accrued for compensation to the Chief Executive Officer for his services.

13. SEGMENTED INFORMATION

As at October 31, 2017, the Company's operations comprise of two operating segments: (i) mineral exploration in Quebec and (ii) preparation to enter the cannabis industry in the United States.

14. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration and evaluation activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Proposed Transaction Agreement

On February 22, 2017, the Company entered into a Letter of Intent ("LOI") with NHII, whereby the Company will build medical and adult use cannabis cultivation facilities in Henderson, Nevada and Pueblo, Colorado ("Proposed Transaction Agreement"). As part of the Proposed Transaction Agreement, the Company will enter into the following arrangements with NHII:

(i) NHII will assign to the Company its right to acquire a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health for a payment of US$500,000;

(ii) The Company will form a joint venture company with NHII for the purposes of acquiring and holding a real property located in Henderson, to be licensed for the operation of a medical marijuana cultivation facility; and

(iii) NHII will lease to the Company, land and a building in Pueblo (the "Pueblo Facility") which qualify for marijuana cultivation. The Company will then sublease the Pueblo Facility to Palo Verde, LLC ("Palo Verde"), a party which has applied to renew a cultivation license in Colorado (the "OPC License") respecting the Pueblo Facility.

Upon the execution of the formal agreement between the Company and NHII, the Company will issue between 1,000,000 to 3,000,000 common shares to NHII. The Proposed Transaction Agreement may be terminated if certain conditions are not satisfied by June 30, 2017 (the "Drop Dead Date").

On June 29, 2017, the Proposed Transaction Agreement was amended to extend the Drop Dead Date to November 30, 2017 and increase the number of common shares to be issued to 1,750,000 on the completion of the closing of the Proposed Transaction. Subsequent to the end of the quarter, the Company and NHII have agreed to further extend the amended Drop Dead Date and are in the process of further amending the LOI.

15. SUBSEQUENT EVENTS

On November 2, 2017, the Company extended the maturity date of the SIDEX Debentures, as discussed in Note 8, to March 16, 2019. The conversion price was also amended to equal to $0.20 per share.

15. SUBSEQUENT EVENTS (continued)

On November 10, 2017, the Company announced a term extension of the share purchase warrants previously issued pursuant to private placements on November 16, 2016 and December 9, 2016, as well as a debt settlement on December 12, 2016. If the warrants are not exercised by their original expiry date, the expiry date of these warrants will be extended for a further 12-month period, to November 16, 2018, December 9, 2018 and December 12, 2018, respectively. This extension is subject to an 8-month legend for resale of the shares beginning on the original expiry date.

On November 21, 2017, 600,000 common shares were issued as a result of the exercise of warrants previously issued on November 16, 2016, for proceeds of $60,000. The warrants were exercised at a weighted average exercise price of $0.10 per warrant. All issued shares are fully paid.

On December 12, 2017, 170,000 stock options expired unexercised.

On December 13, 2017, the Company signed a LOI to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland which operate under the "Terpene Station" brand name (the "Acquisition"). Terpene Station is an Oregon-based cannabis retailer involved with the marketing and sale of cannabis flower, edibles and oils. The purchase price of the Acquisition is in the amount of US$1,200,000, of which US$800,000 will be payable in cash upon closing, and US$400,000 payable in secured promissory note, payable 24 months after closing, at 10% simple interest per annum. Closing of the Acquisition is subject to completion of due diligence, execution of a definitive agreement, and all required regulatory approvals and consents.

On December 21, 2017, the Company announced it has entered into a LOI to form a strategic partnership with Mt. Baker Greeneries, LLC ("Mt. Baker") (the "Washington Agreement"). Mt. Baker is a Tier 2 licensed cannabis producer processor in the state of Washington. In connection with the Washington Agreement, the Company and Mt. Baker expect to enter into certain agreements whereby the Company will license proprietary intellectual property, provide services and non-cannabis materials, and lease equipment and employees, and provide consulting services to Mt. Baker. The Washington Agreement is subject to regulatory review.

On December 21, 2017, the Company announced that it is in the process of negotiating with NHII to amend the LOI entered on February 22, 2017 as amended on June 29, 2017 (see Note 14). 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 ("Colorado JV"). Palo Verde was advised the by the Colorado Marijuana Enforcement Division ("MED"), the State regulator of the legal marijuana industry in Colorado, that its renewal application for the OPC License has received a notice of denial. 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, the Company will temporarily delay moving forward with the Colorado JV until there is greater clarity surrounding Palo Verde's ability to secure an OPC License.

On December 21, 2017, the Company announced that it will be delaying its listing on the Canadian Securities Exchange (the "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, which is for a maximum of 16,000,000 Units and a minimum of 3,000,000 Units to raise gross proceeds in the range of $750,000 to $4,000,000. Each Unit will have an issue price of $0.25 and consist of one (1) Common Share and one-half (1/2) of one common share purchase 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 Offering, whereupon the Warrants will expire. The amended terms are 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.