



Lineage Announces Implementation of Washington Strategic Partnership, Restatement of LOI With Nutritional High and Convertible Debenture Amendments

TORONTO, Feb. 07, 2018 -- Lineage Grow Company Ltd. (the "**Company**" or "**Lineage**") is pleased to announce that the Company has entered into definitive agreements to implement the previously announced Washington strategic partnership (the "**Mt. Baker Strategic Partnership**") with Mt. Baker Greeneries LLC ("**Mt. Baker**"). The Company also wishes to announce that it has entered into an agreement restating the letter of intent outlining the proposed transactions (the "**Proposed Transactions**") with Nutritional High International Inc. ("**Nutritional High**"). The Company also wishes to provide a securities update related to the amendments to certain of the terms of the \$2.5 million principal amount convertible debentures issued on May 12, 2017 (the "**Convertible Debentures**").

Implementation of Washington Strategic Partnership

The Company entered into the definitive agreements with Mt. Baker and has thus implemented the Mt. Baker Strategic Partnership aimed at assisting Mt. Baker to maximize the efficiency of its cultivation operations in Bellingham, Washington (the "**Mt. Baker Facility**").

With respect to the Mt. Baker Strategic Partnership, the Company entered into the following Mt. Baker definitive agreements:

- Equipment Lease Agreement between the Company and Mt. Baker, whereby Lineage agrees to lease cultivation equipment to Mt. Baker; and
- Licensing and Services Agreement between Lineage and Mt. Baker, whereby Mt. Baker will purchase cultivation supplies from the Company, license certain trademarks from the Company to place on Mt. Baker's packaged products, and licence certain technology and confidential know-hows from the Company to cultivate the marijuana crops grown at the Mt. Baker Facility. The Company will also provide services to assist in redesigning Mt. Baker's grow facility, implement growing methodologies, training of personnel and other day-to-day advice as requested. Under this agreement, the Company will also advise Mt. Baker with respect to the cultivation process as well as introduce potential technology partners.

Restatement of LOI with Nutritional High

Lineage and Nutritional High have entered into an amended and restated letter of intent dated February 1, 2018 (the "**Restated NH LOI**"), restating the letter of intent entered into between Lineage and Nutritional High on February 22, 2017 as amended on June 30, 2017 setting forth the Proposed Transactions Lineage wishes to undertake in the United States with the assistance of Nutritional High to develop its marijuana related operations. The Proposed Transactions were originally announced in a joint press release dated February 28, 2017. Pursuant to the Restated NH LOI, the Proposed Transactions have been revised as follows:

1. All sections of the Proposed Transactions relating to the acquisition of a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health and the acquisition of real property in Henderson, Nevada have been removed.
2. The Proposed Transactions will be structured such that Nutritional High will assist Lineage to enter into the Mt. Baker Strategic Partnership in the State of Washington. Upon the completion of the Pueblo Joint Venture, Lineage will issue to Nutritional High 400,000 common shares of Lineage at \$0.25 per share as partial consideration for introducing Mt. Baker to Lineage.
3. The Proposed Transactions will also include Lineage entering into a joint venture (the "**Pueblo Joint Venture**") with Nutritional High and Palo Verde, LLC ("**Palo Verde**") by entering into a series of agreements with Nutritional High and Palo Verde in connection with the expansion of a marijuana facility located in Pueblo, Colorado owned by Nutritional High and leased to Palo Verde, operation of the facility by Palo Verde and the provision of loan facility and services by Lineage to Palo Verde. Upon the completion of the Pueblo Joint Venture, Lineage will issue to Nutritional High 100,000 common shares of Lineage at \$0.25 per share as partial consideration for providing consulting services to Lineage in preparation for entering into the Pueblo Joint Venture. The target completion date for the proposed Pueblo Joint Venture have been postponed to December 31, 2018.
4. Nutritional High will provide a put option to purchase the Lineage Convertible Debentures in accordance with a put option agreement. Pursuant to the Restated NH LOI, Nutritional High will receive the certain compensation from

Lineage. See "Put Option Agreement" below for more details.

5. The minimum gross proceeds for the equity private placement financing of Lineage (the "**Equity Financing**") has been reduced to \$750,000.

Put Option Agreement

Pursuant to the Restated NH LOI, Nutritional High will enter into a put agreement (the "**Put Agreement**") between KW Capital Partners Ltd., as agent for the holders of the Convertible Debentures ("**KW**"), Nutritional High and Lineage to be dated effective February 1, 2018, pursuant to which in the event of default by Lineage under the Convertible Debentures, Nutritional High would be obligated, at the election of KW, to purchase the Convertible Debentures at a price equal to the amount of all principal and accrued interest outstanding thereon. Nutritional High has agreed to enter into the Put Agreement in exchange for:

1. The issuance to Nutritional High of 1,250,000 Common Shares of the Company at \$0.25 per share;
2. \$75,000 cash paid to Nutritional High in the form of 5% royalty on all revenue of Lineage paid on an installment basis with the balance of any amount owing and not yet paid by October 16, 2019, to be paid in a lump sum; and
3. If the Company acquires any dispensary in a state in which Nutritional High's products are sold, the Company shall purchase Nutritional High's products to stock at least 20% of the dispensary's shelf space per product category at a price equal to Nutritional High's best regular whole sale price to Nutritional High's customers in the state, subject to availability of supply.

Pursuant to the Put Agreement, certain circumstances (the "**Put Triggers**") would constitute default by Lineage under the Convertible Debentures. The Put Triggers are as follows:

1. Failure of the Company to list its Common Shares on a stock exchange by February 28, 2018;
2. The Company's common shares trading at a price per share equal to less than 50% of the Conversion Price of the Convertible Debentures for sixty (60) consecutive trading days after being listed on a stock exchange; or
3. Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

Amendments to Convertible Debentures

Restated Escrow Agreement

On closing of the Convertible Debentures, the Company placed the bulk of the proceeds in escrow to be released upon the satisfaction of certain conditions, including the completion of the proposed Nevada transactions and the proposed Pueblo joint venture in Colorado. With the consent of the debentureholders, the Company entered into an amended and restated escrow agreement dated February 1, 2018 to change the conditions for the release of escrow ("**Restated Escrow Agreement**"). Pursuant to the Restated Escrow Agreement, the revised conditions to release escrowed funds are as follows:

1. Closing of the Mt. Baker Strategic Partnership;
2. Regulatory approval over the Mt. Baker Definitive Agreements;
3. Closing of the Company's proposed acquisition of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland (the "**Terpene Station Acquisition**") or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc.;
4. Registration of a UCC general security agreement over the assets of the Company in Washington State including all equipment leased by the Company to Mt. Baker, and registration of a second secured position over assets acquired in the Terpene Station Acquisition; and
5. The Company has completed the Equity Financing.

Convertible Debenture Amendments

Also on February 1, 2018, the Company amended the terms of the Convertible Debentures to effect the following amendments:

1. providing for the Put Option Agreement as additional security for the Convertible Debentures;
2. changing the use of proceeds to purchasing equipment for lease to Mt. Baker, for acquisitions, and for general corporate and administrative purposes, and
3. clarifying the matters that require debentureholders' approval such as amending the terms of the Convertible Debentures

regarding interest calculation or payment, maturity, reducing principal amount, increasing conversion price, instituting suit for enforcement, waive compliance of restrictive provisions, waiving event of default, change security, or amending the escrow agreement.

Repricing of the Convertible Debentures

Pursuant to the terms of the Convertible Debentures, because the Company closed the first tranche of its previously announced private placement of units of the Company (the "Units") (please see press release dated January 29, 2018) within 8 months of the issuance of the Convertible Debentures at a price of \$0.25, the conversion price of the Convertible Debentures will be reduced from \$0.25 to \$0.20 by operation of the adjustment terms of the Convertible Debentures. In addition, the exercise price of the common share purchase warrants ("Warrants") issued together with the Convertible Debentures is reduced from \$0.325 to \$0.25.

About Lineage Grow Company Ltd.

Lineage Grow Company Ltd. is a reporting issuer that has applied 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) expectation of issuing shares to Nutritional High upon implementation of the Mt. Baker Strategic Partnership, the execution of the Pub Option Agreement and the completion of the Pueblo Joint Venture; (ii) management's plan to deployment advanced cultivation techniques and best-of-breed genetics, and (iii) 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.

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.