LINEAGE GROW
COMPANY LTD.

(formerly Lakeside Minerals Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying 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 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 consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the consolidated statements of financial position. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with 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 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 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 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.

"Peter Bilodeau"
Peter Bilodeau
Chief Executive Officer

"Keith Li"
Keith Li
Chief Financial Officer

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lineage Grow Company Ltd.

We have audited the accompanying consolidated financial statements of Lineage Grow Company Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lineage Grow Company Ltd. and its subsidiaries as at January 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 29, 2018

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at January 31, 2018	As at January 31, 2017
	$	$
Assets		
Current Assets		
Cash	**4,347,368**	606,695
HST receivables (Note 4)	**63,152**	14,806
Prepaid expenses	**118,281**	833
Total Assets	**4,528,801**	622,334
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**664,191**	113,190
Convertible debentures (Note 7)	**-**	52,316
Total Current Liabilities	**664,191**	165,506
Non-Current Liabilities		
Convertible debentures (Note 7)	**2,166,863**	-
Derivative liabilities (Note 7)	**1,510,831**	-
Total Liabilities	**4,341,885**	165,506
Shareholders' Equity		
Share capital (Note 8)	**5,692,180**	4,838,430
Shares to be issued (Notes 8 and 15)	**1,110,122**	-
Conversion component of convertible debentures (Note 7)	**8,824**	8,824
Reserve for warrants (Note 9)	**1,223,176**	907,417
Reserve for share-based payments (Note 10)	**72,638**	31,175
Accumulated other comprehensive income	**1,006**	-
Accumulated deficit	**(7,921,030)**	(5,329,018)
Total Shareholders' Equity	**186,916**	456,828
Total Liabilities and Shareholders' Equity	**4,528,801**	622,334

Going concern (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Peter Bilodeau" (signed)
CEO and Director

"Aurelio Useche" (signed)
Director

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Loss and Comprehensive Loss
For the years ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Expenses		
Management, consulting fees and salaries (Note 11)	**325,951**	87,804
Professional fees (Note 11)	**427,844**	31,170
Stock-based compensation (Note 10)	**46,912**	31,175
Share-based payments (Note 15)	**254,606**	-
Office and general	**151,773**	52,564
Exploration and evaluation expenditures (Note 5)	**19,172**	53,858
Loss before the Undernoted	**(1,226,258)**	(256,571)
Interest and other income	**8,054**	53
Net gain on extension of convertible debentures	**-**	6,007
Fair value changes in derivative liabilities (Note 7)	**(1,227,612)**	-
Finance cost (Notes 7 and 8)	**(146,196)**	(21,949)
Net Loss	**(2,592,012)**	(272,460)
Other Comprehensive Income		
Exchange gain on translation of foreign operations	**1,006**	-
Total Comprehensive Loss	**(2,591,006)**	(272,460)
Weighted Average Number of Shares Outstanding		
Basic and Diluted	**32,625,808**	10,537,500
Net Loss per Share		
Basic and Diluted	**(0.079)**	(0.026)

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Consolidated Statements of Cash Flows
For the years ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Operating Activities		
Net loss for the year	**(2,592,012)**	(272,460)
Adjustments for non-cash items:		
Finance cost (Notes 7 and 8)	**146,196**	21,949
Fair value changes in derivative liabilities (Note 7)	**1,227,612**	-
Stock-based compensation (Note 10)	**46,912**	31,175
Share-based payments (Note 15)	**254,606**	-
Gain on extension of convertible debentures	**-**	(6,007)
	(916,686)	(225,343)
Changes in non-cash working capital:		
HST and other receivables (Note 4)	**(48,346)**	12,834
Prepaid expenses	**(43,063)**	(833)
Accounts payable and accrued liabilities (Note 6)	**519,891**	(253,651)
Cash Flows (Used in) Operating Activities	**(488,204)**	(466,993)
Financing Activities		
Proceeds from private placements (Note 8)	**1,185,000**	1,100,000
Share issue costs (Note 8)	**(95,129)**	(27,842)
Proceeds received on subscriptions (Note 8)	**855,516**	-
Proceeds from convertible debentures financing (Note 7)	**2,500,000**	-
Issuance costs of convertible debentures (Note 7)	**(280,815)**	-
Proceeds from exercise of warrants (Note 8)	**63,299**	269
Cash Flows Provided by Financing Activities	**4,227,871**	1,072,427
Increase in cash	**3,739,667**	605,434
Effects of foreign exchange on cash	**1,006**	-
Cash, beginning of year	**606,695**	1,261
Cash, end of year	**4,347,368**	606,695

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Shares to be Issued	Conversion Component of Convertible Debentures	Warrants	Share-Based Payments	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$	$	$	$	$
Balance, January 31, 2016	**8,248,405**	**3,720,304**	**-**	**6,002**	**712,901**	**160,374**	**(5,056,558)**	**-**	**(456,977)**
Issued for cash consideration:									
Private placement (Note 8)	22,000,000	1,100,000	-	-	-	-	-	-	1,100,000
Warrants issued on private placement	-	(220,000)	-	-	220,000	-	-	-	-
Share issuance costs	-	(21,655)	-	-	(6,187)	-	-	-	(27,842)
Warrants exercised (Note 9)	892	273	-	-	(4)	-	-	-	269
Issued for non-cash consideration:			-					-	-
Issued for settlement of debt	1,596,818	79,841	-	-	(15,968)	-	-	-	63,873
Warrants issued for debt settlements	-	-	-	-	15,968	-	-	-	15,968
Equity component of convertible debentures (Note 7)	-	-	-	2,822	-	-	-	-	2,822
Warrants expired (Note 9)	-	19,293	-	-	(19,293)	-	-	-	-
Stock options exercised (Note 10)	-	-	-	-	-	31,175	-	-	31,175
Stock options expired (Note 10)	-	160,374	-	-	-	(160,374)	-	-	-
Net loss for the year	-	-	-	-	-	-	(272,460)	-	(272,460)
Balance, January 31, 2017	**31,846,115**	**4,838,430**	**-**	**8,824**	**907,417**	**31,175**	**(5,329,018)**	**-**	**456,828**
Issued for cash consideration:									
Private placement (Note 8)	4,740,000	1,185,000	-	-	-	-	-	-	1,185,000
Warrants issued on private placement (Note 9)	-	(453,586)	-	-	453,586	-	-	-	-
Finders' warrants issued on private placement (Note 9)	-	-	-	-	69,258	-	-	-	69,258
Share issuance costs	-	(120,791)	-	-	(74,705)	-	-	-	(195,496)
Shares to be issued (Notes 8 and 15)	-	-	1,110,122						1,110,122
Warrants exercised (Note 8)	610,995	74,918	-	-	(11,620)	-	-	-	63,298
Issued for non-cash consideration:									
Issued for debenture interest (Notes 7 and 8)	1,200,000	42,000	-	-	-	-	-	-	42,000
Warrants expired (Note 9)	-	120,760	-	-	(120,760)	-	-	-	-
Stock-based compensation (Note 10)	-	-	-	-	-	46,912	-	-	46,912
Stock options expired (Note 10)	-	5,449	-	-	-	(5,449)	-	-	-
Exchange gain on translating foreign operation	-	-	-	-	-	-	-	1,006	1,006
Net loss for the year	-	-	-	-	-	-	(2,592,012)	-	(2,592,012)
Balance, January 31, 2018	**38,397,110**	**5,692,180**	**1,110,122**	**8,824**	**1,223,176**	**72,638**	**(7,921,030)**	**1,006**	**186,916**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lineage Grow Company Inc. ("Lineage" or the "Company" formerly known as Lakeside Minerals Inc.) is involved in developing cannabis cultivation facilities, manufacturing and distributing cannabis, and assisting state-licensed operators engaged in the cultivation, manufacture and distribution of cannabis in states throughout the United States ("US") where medical and/or adult use of cannabis is legal under state law. The Company was previously 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 US. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1, Canada.

The business of cannabis cultivation involves a high degree of risk, and there is no assurance that any prospective project in the medical or adult-use marijuana industry will be successfully initiated or completed. Further, regulatory evolution and uncertainty may require the Company to alter its business plan and make further investments to react to regulatory changes.

The Company also 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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles applicable to a going concern. The application of the going concern basis 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.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on May 29, 2018.

2.2 Basis of Measurement

The consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

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

2. BASIS OF PRESENTATION (continued)

2.3 Basis of Consolidation

These consolidated financial statements incorporate the accounts of Lineage and its wholly-owned subsidiaries: Lakeside Minerals Corp., 1183290 Alberta Inc., Unite Capital Corp., LGC Holdings USA Inc. (i), LGC Real Estate Holdings LLC (i), LGC Real Estate (Colorado) LLC (ii), LGC Agricultural Operations Inc. (i), Lineage GCL Oregon Corporation (iii), LGC LOR DIS 1 LLC (iii) and LGC LOR DIS 2 LLC (iii).

(i) Incorporated on July 21, 2017 in the State of Nevada.
(ii) Incorporated on August 14, 2017 in the State of Nevada.
(iii) Incorporated on January 8, 2018 in the State of Oregon.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

2.4 Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Derivative liabilities

The conversion feature and the warrants component of convertible debentures which contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature of the convertible debentures is required to be measured at fair value at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Income taxes (continued)

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

Cash comprises bank balances held in Canadian chartered banks and funds held in trust with the Company's legal counsel which is available on demand.

3.2 Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value at each reporting date with realized gains and losses recognized through profit or loss. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has not classified any financial assets at FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost at each reporting date using the effective interest ("EI") method as described below. The Company's cash is classified as loan and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

3.3 Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EI method. The EI method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EI rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payables and accrued liabilities and convertible debentures are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in net loss. As at January 31, 2018, the Company had not classified any financial liabilities as FVTPL, except for the embedded derivative liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Fair Value Hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at January 31, 2018, the Company does not have any financial instruments measured at fair value after initial recognition, except for derivative liabilities which were calculated using Level 2 inputs.

3.5 Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EI rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3.6 Mineral Properties

Acquisition and exploration costs, net of incidental revenues, are expensed in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

3.7 Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the EI method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the EI method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss. Upon expiry, the equity component is transferred to deficit.

The conversion feature and the warrants component which do not meet equity classification, as they contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The effect is that the convertible debentures are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Income Taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3.9 Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve of the Company's equity. On expiry, the fair value of the warrants is transferred to share capital.

3.10 Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3.11 Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. For the years ended January 31, 2018 and 2017, no potential shares are included in the computation as they are anti-dilutive.

3.12 Share-Based Payments

Equity-settled share-based payments to employees (including directors and officers) are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to reserves for share-based payments. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized on the consolidated statement of loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Share-Based Payments (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments are transferred to share capital. On expiry, the recorded fair value of the options is transferred to share capital.

3.13 Decommissioning and Restoration Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at January 31, 2018 and 2017, the Company had no decommissioning and restoration obligations as no provision for restoration was necessary.

3.14 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at January 31, 2018 and 2017, the Company had no material provisions.

3.15 Foreign Currency Transactions

Functional and presentation currency

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of Lineage and the Canadian subsidiaries is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of all US subsidiaries is the US Dollar (“USD”).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Foreign Currency Transactions (continued)

Transactions and balances (continued)

The results and financial position of all the entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate in effect on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to accumulated other comprehensive income (loss). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of loss as part of the gain or loss on sale.

3.16 Changes in Accounting Policies

The Company adopted the following 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 consolidated financial statements:

IAS 7 – Statement of Cash Flows ("IAS 7")

IAS 7 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 ("IAS 12")

IAS 12 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 holder of the debt instrument 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.

3.17 Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on the Company's consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Recent Accounting Pronouncements (continued)

IFRS 9 – Financial Instruments ("IFRS 9")

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 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 proposes to replace IAS 18 – Revenue, IAS 11 – Construction Contracts and some revenue-related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases ("IFRS 16")

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 twelve 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 amortization 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 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 was issued on December 8, 2016. IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

(Expressed in Canadian Dollars)

4. HST RECEIVABLES

The Company's HST receivables arise from harmonized sales tax refunds 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.

5. EXPLORATION AND EVALUATION EXPENDITURES

The Company was engaged, in acquiring, exploring, and developing mineral properties in the jurisdiction of Quebec, and continues to hold mining claims in Quebec. As at January 31, 2018, the Company holds one main property, the Launay Property, for which the Company had incurred exploration and evaluation expenditures of $19,172 during the year ended January 31, 2018 (2017 – $53,858).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business.

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

	January 31, 2018	January 31, 2017
	$	$
Less than 90 days	**388,938**	79,549
Greater than 90 days	**275,253**	33,641
	664,191	113,190

7. CONVERTIBLE DEBENTURES

SIDEX 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 was exercisable into common shares of the Company 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.

On September 16, 2016, the Company extended 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 SIDEX Debentures is 12% per annum, to be accrued until and payable on the maturity date.

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

The SIDEX 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 EI method at a 28.6% discount rate.

7. CONVERTIBLE DEBENTURES (continued)

Convertible Debentures

On May 12, 2017, the Company closed a brokered private placement offering of convertible debentures (the "Convertible Debentures") of 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 Convertible Debentures rank pari passu and mature 24 months from the closing date and are convertible at the option of the debenture holders at any time prior to the maturity date into common shares of the Company at a conversion price of $0.25 per share. The Convertible Debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance, with the first two interest payments paid from the issuance of 1,200,000 common shares of the Company at an issue price of $0.25 per common share (see Note 8). The Company may elect to satisfy its obligation to pay interest on the Convertible Debentures by issuing common shares to the debenture holders at a price of $0.25 per common share.

On closing of the Convertible Debentures offering, the Company placed the proceeds in escrow to be released upon the satisfaction of certain conditions. Subsequent to year-end, the release conditions for the escrow had been revised (see Note 17 for details).

The conversion price of the Convertible Debentures was subject to the following adjustments:

- If the Company completes an equity financing, within eight months (amended to nine months by the Company as of February 1, 2018; see Note 17) 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 Convertible Debentures remain 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 was subject to the following adjustment:

- If the Company issues warrants, at any time that the Convertible 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.

Pursuant to the amended terms of the Convertible Debentures, as the Company closed the concurrent financing within nine months of issuance of the Convertible Debentures at an Equity Financing Price of $0.25 on January 24, 2018 (see Note 8), the conversion price of the Convertible Debentures was amended from $0.25 to $0.20.

The Convertible Debentures, and the portions related to the conversion feature and the warrants component are classified as liabilities. The conversion feature and the warrants component do not meet equity classification, as they contain contractual terms that result in the potential adjustment in the conversion or exercise price. In failing the equity classification, the conversion feature and the warrants component are accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The effect is that the Convertible Debentures are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss. The discount is being accreted over the term of the Convertible Debentures utilizing the EI method at a 28.6% discount rate.

(Expressed in Canadian Dollars)

7. 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**
Issuance of Convertible Debentures	2,500,000
Transaction costs relating to convertible debentures – cash	(254,287)
Estimated fair value of derivative liability on date of issuance	(149,079)
Estimated valuation of warrant liability on date of issuance	(134,140)
Interest and accretion expense	302,053
Interest paid from shares issued on November 12, 2017 (Note 8)	(150,000)
Balance, January 31, 2018	**2,166,863**

The changes to the embedded derivative liabilities are as follows:

	$
Balance, January 31, 2017	**-**
Estimated fair value of derivative liability on date of issuance	283,219
Estimated fair value changes of derivative liabilities during the year	1,227,612
Balance, January 31, 2018	**1,510,831**

The Company used the Black-Scholes valuation model to estimate the fair value of the embedded derivative liabilities upon the initial measurement and as at January 31, 2018 using the following assumptions:

	January 31, 2018	**May 12, 2017**
Valuation date share price	$0.154	$0.035
Conversion price	$0.20	$0.25
Exercise price	$0.325	$0.325
Expected life	1.28 years	2 years
Volatility (1)	131%	157%
Risk-free interest rate	1.61%	0.68%

(1) Expected volatility is based on historical volatility of comparable companies.

8. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Share capital transactions for the year ended January 31, 2018

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. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time.

8. SHARE CAPITAL (continued)

Share capital transactions for the year ended January 31, 2018 (continued)

On June 26, 2017, the Company issued 10,995 common shares as a result of the exercise of the Company's Initial Public Offering warrants, for cash proceeds of $3,299. The warrants were exercised at a weighted-average exercise price of $0.30 per warrant.

On November 12, 2017, the Company issued another 600,000 common shares at a price of $0.25 per common share, to satisfy the second semi-annual interest payment for the Convertible Debentures. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time.

On November 21, 2017, the Company issued 600,000 common shares as a result of the exercise of warrants for cash proceeds of $60,000. The warrants were exercised at a weighted-average exercise price of $0.10 per warrant.

On January 24, 2018, the Company closed its first tranche ("Tranche 1") of a brokered private placement financing, consisting of 4,740,000 units at a price of $0.25 per unit, for gross proceeds of $1,185,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date, as disclosed in Note 9. In conjunction with the brokered private placement, the Company also paid finders' fee of $94,800 and issued 379,200 finders' warrants (see Note 9).

As at January 31, 2018, the Company had received total proceeds of $855,516 in relation to subscription funds on Tranches 2 to 4 of the brokered private placement financing which closed subsequent to year-end (see Note 17 for details).

Share capital transactions for the year ended January 31, 2017

On November 9, 2016, the Company completed the consolidation of its outstanding common shares on a ratio of three (3) old shares for one (1) new share. The number of shares, options, warrants, convertible instruments and per share amounts have been adjusted for the effects of the consolidation for the years ended January 31, 2018 and 2017.

On November 16, 2016, the Company closed its first tranche of a non-brokered private placement, consisting of 8,200,000 units at a price of $0.05 per unit, for gross proceeds of $410,000. Each unit consists of one common share and one-half (1/2) of one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.10 per common share for a period of 12 months after the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to November 16, 2018 (see Note 9 for details).

On December 9, 2016, the Company closed its final tranche of the non-brokered private placement, consisting of 13,800,000 units at a price of $0.05 per unit, for gross proceeds of $690,000 and together with the first tranche raised an aggregate of 22,000,000 units for total gross proceeds of $1,100,000. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.10 per common share for a period of 12 months after the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to December 9, 2018 (see Note 9 for details).

On December 12, 2016, the Company entered into shares-for-debt agreements totaling $79,841. A total of 1,036,818 units valued at $51,840, were issued to unrelated parties for settlement of debt, and 560,000 units valued at $28,000 were issued to a law firm, where a director of the Company is a partner, for outstanding fees. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to acquire one common share at a price of $0.10 per common share for a period of one year from the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to December 12, 2018 (see Note 9).

(Expressed in Canadian Dollars)

9. RESERVE FOR WARRANTS

Warrant activities for the years ended January 31, 2018 and 2017 are summarized as follows:

	Number of warrants	Weight average exercised price
	#	$
Balance, January 31, 2016	**2,845,403**	0.45
Issued	11,798,409	0.10
Exercised	(298)	0.30
Balance, January 31, 2017	**14,643,514**	**0.17**
Issued (i)	10,000,000	0.325
Issued (i)	400,000	0.25
Issued (ii)	4,740,000	0.325
Issued (ii)	379,200	0.25
Expired	(2,019,296)	0.30
Exercised	(603,665)	0.10
Balance, January 31, 2018	**27,539,753**	**0.25**

(i) On May 12, 2017, in conjunction with the Convertible Debentures 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 (see Note 7).

(ii) In conjunction with the brokered private placement financing closed on January 24, 2018 (see Note 8), the Company issued 4,740,000 warrants at an exercise price of $0.325 per share for a period of 24 months after the closing date. In addition, the Company also issued 379,200 finders' warrants which entitle holder to purchase one unit at a price of $0.25 per unit, exercisable until January 24, 2020.

The Company used the Black-Scholes valuation model to estimate the fair value of the warrants issued during the years ended January 31, 2018 and 2017based on the following assumptions:

Issuance date	January 24, 2018	January 24, 2018	2017
Number of warrants	4,740,000	379,200	11,798,409
Exercise price	$0.325	$0.25	$0.10
Expected life of warrants	2 years	2 years	1 year
Expected volatility (2)	155%	155%	246% - 261%
Risk-free interest rate	1.81%	1.81%	0.66% - 0.74%
Fair value	$453,586	$69,258	$235,968

(2) Expected volatility is based on historical volatility of comparable companies.

(Expressed in Canadian Dollars)

9. RESERVE FOR WARRANTS (continued)

The following table summarizes information of warrants outstanding as at January 31, 2018:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
March 26, 2018	488,811	1.20	0.15
November 16, 2018 (iii)	3,500,000	0.10	0.79
December 9, 2018 (iii)	6,900,000	0.10	0.85
December 12, 2018 (iii)	798,409	0.10	0.86
May 12, 2019	10,000,000	0.325	1.28
May 12, 2019	400,000	0.25	1.28
January 24, 2020	4,740,000	0.325	1.98
January 24, 2020	379,200	0.25	1.98
	27,539,753	**0.25**	**1.21**

(iii) 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. For all unexercised warrants by their original expiry date, the expiry was 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.

10. 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 January 31, 2018, the Company has 924,711 common shares that are issuable under the Plan. The exercise price and vesting terms are determined by the Board of Directors.

Stock options activities for the years ended January 31, 2018 and 2017 are summarized as follows:

	Number of options	Weight average exercised price
	#	$
Balance, January 31, 2016	**12,500**	**4.80**
Granted (i)	3,170,000	0.10
Expired	(12,500)	4.80
Balance, January 31, 2017	**3,170,000**	**4.80**
Cancelled	(85,000)	0.10
Expired	(170,000)	0.10
Balance, January 31, 2018	**2,915,000**	**0.10**

(i) On December 12, 2016, the Company granted 3,170,000 options exercisable at $0.10 to directors, officers and consultants under the following terms:

- 2,455,000 options vested 1/6 on grant and 1/6 every six months, expiring on December 12, 2021.
- 460,000 options vested immediately on grant, expiring on December 12, 2021;
- 85,000 options vested immediately on grant, expiring on May 18, 2018; and
- 170,000 options vested immediately on grant, expiring on December 12, 2017.

(Expressed in Canadian Dollars)

10. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The Company used the Black-Scholes valuation model to estimate the grant date fair value of the options granted during the year ended January 31, 2017 using the following assumptions:

	December 22, 2016
Valuation date share price	$0.035
Exercise price	$0.40
Expected life	1 – 5 years
Volatility (3)	214% – 260%
Risk-free interest rate	0.74% – 0.96%

(3) Expected volatility is based on historical volatility.

The following table summarizes information of options outstanding and exercisable as at January 31, 2018:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining life
	#	#	$	Years
May 18, 2018	85,000	85,000	0.10	0.29
December 12, 2021	2,370,000	1,185,000	0.10	3.87
December 12, 2021	460,000	460,000	0.10	3.87
	2,915,000	**1,730,000**	**0.10**	**3.56**

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel 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. ("FMICA") entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, a director, President and CEO of Lineage, is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras, the Corporate Secretary of the Company, is a director and whereas his minor children hold an indirect interest. For the year ended January 31, 2018, the Company was charged $159,000 (2017 – $24,000) for consulting services provided by FMICA. As at January 31, 2018, an amount of $87,033 (January 31, 2017 – $nil) owing to FMICA was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended January 31, 2018, the Company recorded consulting fees of $64,000 (2017 – $nil), included in management, consulting fees and salaries, for services rendered by the Chief Executive Officer ("CEO") to the Company. As at January 31, 2018, $80,825 (January 31, 2017 – $nil) owing to the CEO was included in accounts payable and accrued liabilities.

On March 1, 2014, the Company and Branson Corporate Services Inc. ("Branson") entered into a management services agreement, providing for Chief Financial Officer services to the Company, as well as other accounting and administrative services. Branson is an entity in which FFHC owns 49% of the shares. In consideration for the services provided, the Company agreed to pay a monthly fee of $5,000. Effective September 1, 2017, the fees were amended so that the monthly fee was increased to $8,000, whereas $5,000 was to be paid in cash and $3,000 accrued up to the closing of the January 2018 financing. For the year ended January 31, 2018, the Company was charged $87,950 (2017 – $45,000) for services provided by Branson. As at January 31, 2018, an amount of $15,000 (January 31, 2017 – $nil) owing to Branson was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

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

Key management personnel compensation (continued)

During the year ended January 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $152,189 (2017 – $64,508) of legal services to the Company, which are included in professional fees. As at January 31, 2018, an amount of $124,954 (January 31, 2017 – $72,094) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Agreements with related parties

On January 24, 2018, the Company and Foundation Markets Inc. ("FMI") entered into a private placement finder's fee agreement in relation to the January 2018 Offering, as disclosed in Note 8. Peter Bilodeau and Adam Szweras are the President and the Chairman of FMI, respectively. On closing of Tranche 1 of the brokered private placement, FMI was paid a finder's fee of $34,350 and was issued 111,800 finders' warrants exercisable at $0.25 for a period of 2 years.

Subscriptions by related parties

During the year ended January 31, 2018, directors and officers and Quinsam Capital Corporation ("Quinsam"), a company with common CFO as Lineage, had subscribed for a total of 205 units, for total principal of $205,000 of Convertible Debentures from the May 12, 2017 offering. In conjunction with these offerings, these directors, officers and Quinsam had received a total of 98,400 common shares of the Company, valued at $3,444, for satisfaction of interest payment.

12. INCOME TAXES

Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 – 26.5%) were as follows:

	2018	2017
	$	$
(Loss) before income taxes	(2,592,012)	(272,460)
Expected income tax recovery based on statutory rate	(687,000)	(72,000)
Adjustments to expected income tax benefit:		
Expenses not deductible for tax purposes	18,000	8,000
Change in benefit of tax assets not recognized	669,000	64,000
Deferred income tax provision (recovery)	-	-

Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
	$	$
Non-capital loss carry-forwards	3,905,000	4,088,000
Share issue costs and others	140,000	36,000
Mineral property costs	703,000	684,000
	4,748,000	4,808,000

The tax losses expire from 2028 to 2038. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

13. CAPITAL RISK 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 January 31, 2018, the Company's capital consists of share capital, shares to be issued, conversion component of convertible debentures, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $186,916 (January 31, 2017 – equity of $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 years ended January 31, 2018 and 2017.

The Company is not subject to externally imposed capital requirements.

14. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, trade receivables, and accounts payable and accrued liabilities on the consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks and in trust with the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at year-end is limited to the accounts receivable balance.

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. 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 January 31, 2018, the Company had a cash balance of $4,347,368 (January 31, 2017 – $606,695) to settle current liabilities of $664,191 (January 31, 2017 – $165,506).

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at year-end.

15. 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.

Consultant agreements

The Company is party to certain consulting agreements. One of the consulting agreements entered between the Company and a former officer requires that a bonus in the amount of $150,000 be paid upon the Company securing a listing on the Canadian Securities Exchange ("CSE"). As at January 31, 2018, the contingent payment has not been reflected in these consolidated financial statements as the triggering event had not taken place. The payment was made subsequent to year-end.

Nutritional High International Inc.

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 was to 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 USD $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 respecting the Pueblo Facility.

Upon the execution of the formal agreement between the Company and NHII, the Company was to 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 completion of the closing of the Proposed Transaction.

15. COMMITMENTS AND CONTINGENCIES (continued)

Nutritional High International Inc. (continued)

On January 22, 2018, the Company and NHII entered into an amended and restated LOI, restating the LOI entered on February 22, 2017 as amended on June 29, 2017, which revised the Proposed Transaction as follows:

(i) All sections of the Proposed Transaction 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.

(ii) The Proposed Transaction will be structured such that NHII will assist the Company to enter into the Washington Agreement with Mt. Baker. Upon the completion of the Pueblo Joint Venture (as defined below), the Company will issue to NHII, 400,000 common shares, as partial consideration for NHII's introduction of Mt. Baker to the Company.

(iii) The Proposed Transaction will also include the Company entering into a joint venture (the "Pueblo JV") with NHII and Palo Verde by entering into a series of agreements with NHII and Palo Verde in connection with the expansion of a marijuana facility located in Pueblo. Upon completion of the Pueblo JV, the Company will issue to NHII, 100,000 common share, as partial consideration for providing consulting services in preparation for entering into the Pueblo JV. The completion date for the proposed Pueblo JV has been scheduled for December 31, 2018.

(iv) NHII will enter into a put option agreement (the "Put Option Agreement") pursuant to which, in the event of default by the Company under the Convertible Debentures, NHII would be obligated, at the election of the agent for the holders, to purchase the Convertible Debentures at a price equal to the amount of all principal and accrued interest outstanding thereon. NHII has agreed to enter into the Put Option Agreement in exchange for:

1. Issuance of 1,250,000 common shares of the Company;
2. $75,000 cash paid in the form of 5% royalty on all revenue of the Company paid on an installment basis with any balance outstanding by October 16, 2019, to be paid in a lump sum; and
3. Should the Company acquire any dispensary in a state in which NHII's products are sold, the Company shall purchase NHII's products to stock at least 20% of the dispensary's shelf space per product category at a price equal to NHII's best regular whole sale price to NHII's customers in the state, subject to availability of supply.

As at January 31, 2018, the Company had recognized a share liability amount of $254,606 for the common shares to be issued to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement. The fair value of these shares has been expensed as share-based payments in the consolidated statements of loss and comprehensive loss. Subsequent to January 31, 2018, the Company issued 1,650,000 common shares to NHII (see Note 17).

<u>Put Option Agreement</u>

Pursuant to the Put Option Agreement, the following circumstances would constitute default by the Company under the Convertible Debentures:

(i) Failure of the Company to list its common shares on the CSE by February 28, 2018;

(ii) 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 60 consecutive trading days after being listed on a stock exchange; or

(iii) Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

The Company received the final listing approval from the CSE on February 28, 2018.

(Expressed in Canadian Dollars)

15. COMMITMENTS AND CONTINGENCIES (continued)

Terpene Station

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 USD $1,200,000, of which USD $800,000 will be payable in cash upon closing, and USD $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.

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership with Mt. Baker Greeneries, LLC ("Mt. Baker") (the "Washington Agreement"), a Tier 2 licensed cannabis producer processor in the State of Washington.

On January 31, 2018, the Company entered into definitive agreements to implement the Washington Agreement with Mt. Baker. An Equipment Lease Agreement was entered into, whereby the Company agrees to lease cultivation equipment to Mt. Baker. A Licensing and Services Agreement was also entered, whereby Mt. Baker will purchase cultivation supplies, license certain trademarks to place on Mt. Baker's packaged products, and license certain technology 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, implementing growing methodologies, training of personnel and other advice as requested.

16. SEGMENTED INFORMATION

As at January 31, 2018, the Company's operations comprise of a single reporting operating segment engaged in the cultivation, manufacture and distribution of cannabis in states throughout the US. As at and for the year ended January 31, 2018, the breakdown between operations in Canada and the US are as follows:

Statement of financial position	**Canada**	**US**	**Total**
	$	**$**	**$**
Current assets	4,494,381	34,420	4,528,801
Non-current assets	-	-	-
Total assets	**4,494,381**	**34,420**	**4,528,801**
Current liabilities	648,405	15,786	664,191
Long-term liabilities	3,677,694	-	3,677,694
Total liabilities	**4,326,099**	**15,786**	**4,341,885**

Statement of loss and comprehensive loss	**Canada**	**US**	**Total**
	$	**$**	**$**
Operating expenses	929,858	277,226	1,207,084
Other expenses (income)	(8,054)	-	(8,054)
Net loss and comprehensive loss	**921,804**	**277,226**	**1,199,030**

17. SUBSEQUENT EVENTS

Amendments to Convertible Debentures

Restated Escrow Agreement

On February 1, 2018, with the consent of the debenture holders, the Company entered into an amended and restated escrow agreement (the “Amended and Restated Escrow Agreement”) to change the conditions for the release of escrow. Pursuant to the Amended and Restated Escrow Agreement, the revised conditions to release escrowed funds are as follows:

(i) Closing of the Mt. Baker Strategic Partnership;

(ii) Regulatory approval over the Mt. Baker Definitive Agreements;

(iii) Closing of the Company’s proposed Terpene Station Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc.;

(iv) Registration of a UCC general security agreement over the assets of the Company in the State of Washington, 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

(v) The Company has completed the Equity Financing.

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of the Concurrent Financing within nine months of issuance of the Convertible Debentures at a price of $0.25 (see Note 8), the conversion price of the Convertible Debentures is reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures. The adjustment to the conversion price was retroactive upon closing of Tranche 1. In addition, the exercise price of the common share purchase warrants issued was also amended from $0.325 to $0.25, effective February 26, 2018.

Private Placement Financing

On February 20, 2018, the Company announced the closing of the final tranches of the Concurrent Financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of $1,847,416 as follows:

- 3,442,065 units issued in the second tranche on February 8, 2018;
- 3,047,600 units issued in the third tranche on February 14, 2018, and
- 900,000 units issued in the fourth and final tranche on February 16, 2018.

Each unit consists of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of $0.325 per common share, exercisable for a 24-month period from the applicable issue date. In connection with the final three tranches, the Company also paid finders’ fees totaling $99,700, and issued a total of 778,000 finder options. Each finder option entitles the holder to purchase one unit at a price of $0.25 per unit, exercisable for 24 months from the applicable issue date of the finder options.

Listing on the CSE

On March 5, 2018, the Company’s common shares began trading on the CSE under the trading symbol “BUDD”.

Altai Partners

On March 6, 2018, the Company entered into a binding LOI to acquire a 100% interest in Altai Partners LLC (“Altai”), a limited liability company operating out of California (the “Altai Acquisition”). Altai is to acquire a minimum of 45% ownership interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary (“LUX”), a licensed dispensary operating in San Jose, California. Altai currently has an agreement in place for a 45% interest in LUX.

17. SUBSEQUENT EVENTS (continued)

Altai Partners (continued)

On April 3, 2018, concurrent to its agreement acquiring a 45% ownership interest in LUX, Altai has entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX. Under the terms of the Altai Acquisition, the Company will purchase a 100% interest in Altai in exchange for the following consideration:

(i) $3,450,000 in common shares in the capital of Lineage priced at USD $0.20 per common share, to be issued to the seller upon closing;

(ii) USD $750,000 to be lent to Altai under a Promissory Note at 12% annual interest, maturing May 31, 2018. This note will become a loan to subsidiary after completion of the Altai Acquisition; and

(iii) Lineage, under its ownership of Altai, will assume USD $1,200,000 in payment obligations towards Altai's purchase of LUX. This obligation includes four cash payments to LUX shareholders of USD $300,000, beginning April 28, 2018 and ending December 30, 2018.

Completion of the Altai Acquisition will be subject to satisfactory completion of due diligence, execution of a definitive agreement, all required approvals and consents, as well as the completion of Altai's acquisition of 100% ownership interest in LUX.

Herbiculture Inc.

On April 20, 2018, the Company entered into a LOI with Quinsam to acquire Quinsam's 35% interest in Herbiculture Inc. ("Herbiculture"), a medical marijuana dispensary located in the State of Maryland (the "Transaction"). Pursuant to the LOI, the Company will acquire Quinsam's 35% equity interest in Herbiculture for total consideration of 3,900,000 common shares of the Company. On closing, the Company will also enter into an agreement with Herbiculture and its shareholders for Lineage to be granted a right of refusal to purchase 35% of securities offered by Herbiculture and a "tag-along" right in case the majority shareholders of Herbiculture sell their stake.

The Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the LOI, receipt of applicable corporate approvals, and other regulatory and/or governmental approval.

Shares, warrants and options transactions

On March 7, 2018, the Company issued 1,650,000 common shares to NHII as partial consideration for its introduction of Mt. Baker, and for entering into the Put Option Agreement.

On March 7, 2018, the Company issued 320,000 common shares to FMICA as compensation for its consulting services in relation to the closing of the financing.

On March 7, 2018, 175,000 common shares were issued as a result of the exercise of 175,000 warrants for total cash proceeds of $17,500. All issued shares are fully paid.

On May 17, 2018, 85,000 common shares were issued as a result of the exercise of 85,000 options for total cash proceeds of $8,500. All issued shares are fully paid.

On May 24, 2018, the Company granted 1,875,000 stock options to officers and directors of the Company. The options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/6 of the options vested immediately on grant, with an additional 1/6 vesting every 6 months until fully vested. The Company also granted 800,000 stock options to various consultants. These options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/4 of the options vested immediately on grant, with an additional 1/4 vesting every subsequent until fully vested.

17. SUBSEQUENT EVENTS (continued)

Convertible Debentures

Subsequent to January 31, 2018, 6,900,000 common shares were issued as a result of the conversion of 1,380 units of Convertible Debentures at the adjusted conversion price of $0.20.

On May 24, 2018, the Company issued 336,000 common shares at a price of $0.20 per common share, to satisfy the third semi-annual interest payment for the Convertible Debentures.