LINEAGE GROW COMPANY LTD.

(formerly Lakeside Minerals Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JANUARY 31, 2018

May 29, 2018

The following Management's Discussion and Analysis ("MD&A") is current to May 29, 2018. This MD&A and constitutes management's assessment of the factors that affected the Company's financial and operating performance of Lineage Grow Company Ltd. ("Lineage", the "Corporation" or the "Company" formerly known as Lakeside Minerals Inc.) for the year ended January 31, 2018 ("Fiscal 2018"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended January 31, 2018. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. All figures are in Canadian dollars unless stated otherwise.

This MD&A includes, but is not limited to, forward-looking statements regarding: the success in the Company's operations in establishing state-of-the-art cultivation facilities to develop its premium quality craft cannabis business in the states of Nevada, Colorado, Oregon and Washington in the United States (the "US"); the Company's ability to meet its working capital needs for the twelve-months period ending January 31, 2019, including the cost and potential impact in complying with existing and proposed laws and regulations. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

Description of Business

Lineage is involved in developing cannabis cultivation facilities, manufacture and distribute cannabis, and assist state-licensed operators engaged in the cultivation, manufacturing and distribution of cannabis in states throughout the 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.

As at May 29, 2018, members of the Company's management team and Board of Directors consisted of:

Peter Bilodeau	President, Chief Executive Officer and Director
Keith Li	Chief Financial Officer
Aurelio Useche	Director
David Posner	Director
Hamish Sutherland	Director
Robert Schwartz	Director
Adam Szweras	Corporate Secretary

Recent Developments

On February 22, 2017, the Company entered into a Letter of Intent ("LOI") with Nutritional High International Inc. ("NHII"), whereby the Company will build medical and adult-use cannabis cultivation facilities in the states of Nevada and Colorado in accordance with applicable state law.

On April 19, 2017, the Company submitted an application to the TSX Venture Exchange to voluntarily de-list all of its shares as it proceeded with the shift in business focus in the cannabis industry.

On April 24, 2017, David Drutz was appointed as the Company's Chief Executive Officer ("CEO").

On July 25, 2017, the Company changed its name to Lineage Grow Company Ltd. to reflect its change of business into the cannabis industry.

On December 11, 2017, Keith Li was appointed as the Company's Chief Financial Officer ("CFO"), replacing Amy Stephenson.

On December 13, 2017, the Company signed a Letter of Intent ("LOI") to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland operating under the "Terpene Station" brand name (the "Terpene Station Acquisition"). The purchase price 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 in promissory note payable 24 months after closing, at 10% simple interest per annum (see Proposed Transactions for details).

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"). Mt. Baker currently operates a cannabis cultivation and extraction facility located in Bellingham, Washington and holds a Tier 2 Producer Processor license issued by the Washington Liquor and Cannabis Board.

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, setting forth the Proposed Transactions that Lineage wishes to undertake in the US with the assistance of NHII to develop its marijuana related operations (see Proposed Transactions for details).

On January 31, 2018, the Company entered into definitive agreements to implement Washington Agreement with Mt. Baker (see Proposed Transactions for details).

On February 28, 2018, the Company received the final listing approval from the Canadian Securities Exchange ("CSE"), and Lineage's common shares began trading on the CSE under the symbol "BUDD" on March 5, 2018.

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. Altai currently has an agreement in place for a 45% interest in LUX. On April 3, 2018, 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 (see Proposed Transactions for details).

On April 15, 2018, David Drutz resigned as President and CEO, and on April 17, 2018, as director of the Company. Peter Bilodeau was appointed President and Interim CEO.

On April 20, 2018, the Company entered into a LOI with Quinsam Capital Corp. ("Quinsam") to acquire Quinsam's 35% interest in Herbiculture Inc. ("Herbiculture"), a medical marijuana dispensary located in Maryland (the "Herbiculture Transaction"). Pursuant to the LOI, the Company will acquire Quinsam's 35% equity interest in Herbiculture for total consideration of USD $720,000, to be satisfied by the issuance of 3,900,000 common shares of the Company to Quinsam upon closing of the Herbiculture Transaction at a price of USD $0.1846 per share.

Financing Developments

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 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 holder at any time prior to the maturity date into common shares of the Company at a conversion price of $0.25 per share. The Convertible Debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance, with the first interest payment due at the closing of the offering and paid in common shares of the Company at an issue price of $0.25 per common share. 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 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.

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 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.

<u>Restated Escrow Agreement</u>

On closing of the Convertible Debentures offering, the Company placed the proceeds in escrow to be released upon the satisfaction of certain conditions. On February 1, 2018, with the consent of the debenture holders, the Company entered into an Amended and Restated Escrow Agreement to revise the 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) Completion of an Equity Financing.

Repricing of the Convertible Debentures

Effective 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, the conversion price of the Convertible Debentures was amended from $0.25 to $0.20. In addition, the exercise price of the common share purchase warrants issued was also subsequently amended from $0.325 to $0.25, effective February 26, 2018.

Private Placement Financing

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. In conjunction with the private placement, the Company paid finders' fee of $94,800 and issued 379,200 finders' warrants.

On February 20, 2018, the Company announced the closing of the final tranches of the brokered private placement 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.

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.

Together with Tranche 1 which closed on January 24, 2018, the Company issued a total of 12,129,664 units to raise total gross proceeds of $3,032,416. All common shares, warrants and finder options issued are subject to a four-month resale restriction from the date of the applicable issue date.

Other Financing Activities

On November 2, 2017, the Company 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.

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. The expiry date of all unexercised warrants 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.

On November 21, 2017, the Company issued 600,000 common shares as a result of the exercise of warrants previously issued on November 16, 2016, for proceeds of $60,000. All issued shares are fully paid.

On March 7, 2018, the Company issued 175,000 common shares 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, the Company issued 85,000 common shares 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.

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

Outlook and Growth Strategy

Lineage is focused on establishing, either directly or through joint venture with licensed producers, dominant vertically-integrated cannabis businesses that leverage best-in-class cultivation, distribution, and retail assets. The Company is targeting legalized cannabis markets across multiple jurisdictions in the US and Canada and is seeking to deploy best practices in cultivation and retail management to drive performance across its asset base. By leveraging cutting edge agricultural and technological solutions, the Company intends to optimize the variable costs associated with cannabis cultivation and produce craft cannabis at a commercially viable industrial scale. The Company also intends to acquire cannabis dispensaries to bolster its retail strategy.

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

State of Washington – Strategic Washington Partnership

Under the strategic partnership with Mt. Baker, Lineage will work with Mt. Baker to maximize the efficiency of Mt. Baker's cannabis cultivation and extraction facility by deploying innovative agricultural and technological solutions in concert with effective brand management practices. In the State of Washington, Lineage will focus on providing services to the industry rather than directly owning production or retail operations. In connection with the Washington Agreement, Lineage will not be directly involved in the production operations of Mt. Baker but rather will provide ancillary services to Mt. Baker.

State of Oregon – Terpene Station Acquisition

The Terpene Station Acquisition was entered into with a view towards establishing operations focused on serving the premium quality segment of the cannabis market in the State of Oregon. Terpene Station is a leading cannabis retailer in Oregon involved with the marketing and sale of cannabis flower, edibles, and oils with the Portland location being the first Oregon Liquor Control Commission ("OLCC") licensed recreational store in the state. Lineage's objective in Oregon is to establish a vertically-integrated cannabis operation to manufacture and sell premium quality cannabis branded products. The acquisition of two retail dispensaries is in line with this objective and puts the Company in an advantageous position when structuring transactions to acquire cultivation operations up the value chain. Lineage expects the Terpene Station Acquisition to provide several key strategic benefits including brand expansion and distribution, a leading dispensary position in Oregon, and other synergy opportunities.

State of California – Altai Acquisition

The Altai Acquisition aligns with the Company's growth strategy through acquisitions and strategic partnerships, and it provides Lineage an opportunity to establish a footprint in the growing California retail markets, as LUX currently holds 4 licenses including Retail, Cultivation, Extraction, and Delivery. Upon completion of the Altai Acquisition, Lineage intends to leverage on these licenses to expand its presence through development of the entire Bay Area market and beyond.

In the near-term, the Company intends to commence development of a cannabis delivery service for LUX's various product offerings and is currently engaged in discussions with multiple parties with a view towards establishing a dominant cannabis delivery business. Cannabis delivery services have and continue to experience significant growth in California since legalization, and development of its own delivery service will allow Lineage to provide a further integrated customer offering, and further develop its strategic objective of becoming one of the premier vertically-integrated cannabis companies in the Bay Area.

State of Maryland – Herbiculture Transaction

Herbiculture is a fully-licensed medical marijuana dispensary which began operations in February 2018. It is one of the few licensed medical marijuana retailers operating in the State of Maryland and is one of only two license holders permitted to operate in Maryland's 14th Senatorial District. In 2012, a State law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. Under Maryland regulations, there is a cap of 102 dispensary licenses (only 46 of which are currently licensed as of April 13, 2018), limited to two per state senatorial district. According to market research, with over 8,500 patients currently certified for use of medical marijuana (over 12,000 signed up to become eligible) and over 550 medical practitioners registered to certify patients as eligible, the market in Maryland is expected to be worth USD $221 million by 2021.

The Herbiculture Transaction provides Lineage with access into a market with high barriers to entry and an expanding medical marijuana patient community. Upon closing, the Company will 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 strategic investment is expected to create value to the Company, as the licensed dispensary is achieving sales and fits in with Lineage's near-term growth initiatives.

Regulatory Overview

US Federal Law

While marijuana and Marijuana-Infused Products are legal under the laws of several US States (with vastly differing restrictions), presently the concept of "medical marijuana" and "retail marijuana" do not exist under US federal law. The US *Federal Controlled Substances Act* classifies "marijuana" as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision.

The US Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

The US Department of Justice ("DOJ") has issued official guidance regarding marijuana enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use marijuana. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to marijuana. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to marijuana and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the US Attorney's Manual creating broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo, the memorandum dated August 29, 2013, as being an enforcement priority.

Prior to 2018 and in the Cole Memo, the DOJ acknowledged that certain US states had enacted laws relating to the use of marijuana and outlined the US federal government's enforcement priorities with respect to marijuana notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of marijuana. The Cole Memo was addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the US, as may be supplemented or amended indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

(1) Distribution of cannabis to minors;
(2) Criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis;
(3) Transfer of cannabis from States where it is legal to States where it is illegal;
(4) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity;
(5) Violence or use of firearms in cannabis cultivation and distribution;
(6) Drugged driving and adverse public health consequences from cannabis use;

(7) Growth of cannabis on federal lands; and
(8) Cannabis possession or use on federal property.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by the US Attorney General Jeff Sessions. It is the Company's opinion that the Memorandum does not represent a significant policy shift as it does not alter the DOJ's discretion or ability to enforce federal marijuana laws rather just provides additional latitude to the DOJ to potentially prosecute state-legal marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. US state attorney generals will continue to have discretion over how the federal law is enforced with respect to the companies that operate in the states where cannabis has been legalized for medical or adult use. Even though the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current US Federal enforcement guidelines and US states in which the Company operates or has investments in.

On April 13, 2018, the Washington Post reported that President Trump and Colorado Sen. Cory Gardner reached an understanding that the marijuana industry in Colorado will not be the subject of interference from the federal government and that the DOJ's recession of the Cole memo will not impact Colorado's legal marijuana industry. Furthermore, President Trump provided assurances that he will support a federalism-based legislative solution to fix the issue regarding of states' rights to regulate cannabis, and that former House Speaker John Boehner has been appointed to the advisory board of a private US cannabis company. The Company is pleased to see reports that President Trump has promised top Senate Republicans that he will support congressional efforts to protect states that have legalized marijuana. The Company is cautiously optimistic that this development will lead to Lineage moving towards a climate where cannabis users and business can participate in the industry without fear of interference from the federal government.

There is no guarantee that the current presidential administration will not change its stated policy regarding the low-priority enforcement of US federal laws that conflict with State laws. Additionally, any new US federal government administration that follows could change this policy and decide to enforce the US federal laws vigorously. Any such change in the US federal government's enforcement of current US federal laws could cause adverse financial impact and remain a significant risk to the Company's business.

Canadian Companies with U.S. Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state's regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) an explanation that marijuana is illegal under US federal law and that the US enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's US marijuana-related activities are conducted in a manner consistent with US federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

The Company has obtained legal advises regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operation. As of May 29, 2018, the Company has not received any notices of violation, denial or non-compliance from any US authorities.
The following is the summary of the Company's statements of financial position for US cannabis-related activities as at January 31, 2018:

	Subsidiaries	Total
	$	$
Current assets	**34,420**	34,420
Total assets	**34,240**	34,240
Current liabilities	**15,786**	15,786
Total liabilities	**15,786**	15,786

The liabilities exclude all liabilities and intercompany transactions between subsidiaries and the Company, as a Canadian parent company.

The following is the summary of operating losses from US cannabis-related activities for the year ended January 31, 2018:

	Subsidiaries	Total
	$	$
Revenue	**-**	-
Operating expenses	**277,226**	277,226
Net loss from operations	**(277,226)**	(277,226)

The operating expenses exclude share-based payments incurred at the corporate office in Canada.

Exploration Highlights

The Company through its wholly-owned subsidiary, Lakeside Minerals Corp., holds mineral properties in the mining jurisdiction of Quebec. The Company has not yet determined whether there are economically viable reserves on its properties.

As at January 31, 2018 and the date of this MD&A, Lineage holds one main property, the Launay Property, for which the Company incurred exploration and evaluation expenditures of $19,172 during the year ended January 31, 2018 (2017 – $53,858)

Launay Property

The Launay Property is located northeast of Rouyn-Noranda, in the Launay, Privat, and Manneville Townships, in northwestern Quebec. Through staking, option and purchase agreements, the Company consolidated a land package over the prospective Macamic deformation zone, a major deformation zone in the Abitibi subprovince.

As of the date of this MD&A, the Launay Property is comprised of 66 non-contiguous claims with the following ownership and subjected royalties:

- 21 claims are under option agreement to the Company to acquire a 100% interest from Jean Robert et. al, subject to property payment, work commitments and subject to a 2% net smelter returns royalty ("NSR") with buyback of 1% NSR for $1,000,000.
- 15 claims were acquired from Melkior Resources Inc. ("Melkior") through issuance of shares. All 15 of these claims are subject to an underlying 2% NSR payable to Roby with buyback of 1% NSR for $1,000,000; the other 6 claims that were part of the original agreement with Melkior and were subjected to a 1% NSR payable to Lavoie with total buyback for $500,000 were allowed to lapse on their expiry date of March 25, 2017.
- 11 claims were acquired from Jack Stoch Geoconsultant Services Ltd. through issuance of shares and are subjected to a 2% Gross Metal Royalty ("GMR"). The Company has the option of first refusal to buy back a 1% GMR. All these claims are 100% held by the Company.

- 3 claims were acquired from 9219-8845 Québec Inc. (Canadian Mining House) through issuance of shares and are subjected to a 2% NSR with a buyback of 1% NSR for $1,000,000. All these claims are 100% by the Company.
- The remaining 16 claims were staked and are 100% held by the Company.

Overall Performance

Selected Annual Information

The Company's selected financial information as at and for the three most recently completed financial years ended January 31 are summarized as follows:

	2018	2017	2016
	$	$	$
Operating expenses	(1,226,258)	(256,571)	(227,874)
Other expenses	(1,365,754)	(15,889)	(14,755)
Net loss	(2,592,012)	(272,460)	(242,629)
Loss per share	(0.079)	(0.026)	(0.029)
Total assets	4,528,801	622,334	28,901
Total liabilities	4,341,885	189,797	485,878
Shareholders' equity (deficiency)	186,916	456,828	(456,977)

Selected Quarterly Financial Results

The Company's selected financial information for the eight most recently completed quarters are as follows:

	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	$	$	$	$
Operating loss	655,226	268,444	196,981	105,607
Net loss	(1,909,044)	(381,575)	(192,171)	(109,222)
Loss per share – basic and diluted	(0.058)	(0.012)	(0.006)	(0.003)
Working capital	3,864,610	2,205,312	2,448,167	347,427

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	$	$	$	$
Operating loss	160,260	32,028	40,432	23,851
Net loss	(163,573)	(31,405)	(47,606)	(29,876)
Loss per share – basic and diluted	(0.022)	(0.001)	(0.002)	(0.001)
Working capital (deficiency)	456,828	(517,506)	(482,064)	(441,632)

Financial Results for the Three Months ended January 31, 2018

Results of Operations

During the three months ended January 31, 2018 ("Q4 2018"), the Company incurred a net loss of $1,909,044 or $0.058 per share, as compared to a net loss of $163,573 or $0.022 per share for the three months ended January 31, 2017 ("Q4 2017"). The significant increase in net loss was primarily the result of higher expenses incurred from increased scope of operations with the shift into the cannabis cultivation business, and the fair value increase from the period-end re-valuation on the embedded derivative liabilities.

During Q4 2018, the Company incurred management, consulting fees and salaries of $108,512, as compared to $21,804 in Q4 2017. The increase was primarily due to increased consulting activities provided by FMI Capital Advisory Inc. ("FMICA") for strategic advisory services and by the former CEO for his consulting services. During the quarter, the Company also incurred professional fees of $204,159, as compared to $19,447 in Q4 2017. The substantial increase in fees paid was related to legal fees incurred in relation to the listing application with the CSE, expenses incurred on due diligence on acquisition targets, and related legal costs incurred as the Company further pursued its growth and strategic partnership during the current quarter.

Office and general expenses totaled $80,876 in Q4 2018, as compared to $33,976 in Q4 2017, and were related to an increased scope of operations.

Finance costs recovery, comprising of interest and accretion on debentures, totaled $133,390 in Q4 2018 (Q4 2017 – finance costs of $3,312), principally from the May 2017 Convertible Debentures financing which was offset by a gain on valuation of the shares issued as interest payment. The conversion feature and the warrants component of the Convertible Debentures were 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 fair value change of the embedded derivative liabilities resulted in a loss of $1,304,187 during Q4 2018 (Q4 2017 – $nil), as the fair value of the embedded derivative liabilities increased during the quarter.

During the quarter, the Company also recorded a one-time share-based payment of $254,606, as recognition of the share liability for the common shares issuable to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement (see Proposed Transactions for details).

Cash Flows

Net cash used in operating activities for the three months ended January 31, 2018 was $196,681, as compared to net cash flows used in operations of $532,250 in Q4 2017. The change was mainly due to an increase in operating expenses offset with an increase in accounts payable and accrued liabilities.

Net cash provided by financing activities for Q4 2018 was $2,005,568, as compared to net cash flows from financing activities of $1,081,902 in Q4 2017. The increase was related to the closing on Tranche 1 of the financing in January 2018, which raised approximately $1.2 million, and funds received on additional tranches of financing which subsequently closed after year-end. Cash proceeds of $60,181 were also received during Q4 2018, from exercises of warrants.

Financial Results for the Year ended January 31, 2018

Results of Operations

During Fiscal 2018, the Company incurred a net loss of $2,592,012 or $0.079 per share, as compared to a net loss of $272,460 or $0.026 per share for the year ended January 31, 2017 ("Fiscal 2017"). The significant increase in net loss was primarily the result of higher expenses being incurred from the shift in business focus from a junior mining resource company into the cannabis cultivation business, and the fair value increase from the year-end re-valuation on the embedded derivative liabilities.

During Fiscal 2018, the Company incurred management, consulting fees and salaries of $325,951, as compared to $87,804 in Fiscal 2017. The increase was primarily due to increased consulting activities provided by FMICA for strategic advisory services and by the former CEO for his consulting services. During the year, the Company incurred professional fees of $427,844, as compared to $31,170 in Fiscal 2017. The substantial increase in fees paid was related to legal fees incurred in relation to the change of business model, the listing application with the CSE, expenses incurred on due diligence performed on acquisition targets and related legal costs.

Office and general expenses totaled $151,773 in Fiscal 2018, as compared to $52,564 in Fiscal 2017, related to an increased scope of operations. As a result, expenses such as rent, higher insurance premiums being charged, and travel and advertising expenses increased substantially.

Finance costs, comprising of interest and accretion on debentures, totaled $146,196 in Fiscal 2018 (Fiscal 2017 – $21,949), principally from the May 2017 Convertible Debentures financing which was offset by a gain on the valuation of the shares issued as interest payment. The conversion feature and the warrants component of the Convertible Debentures 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 fair value change of the embedded derivative liabilities resulted in a loss of $1,227,612 during Fiscal 2018 (Fiscal 2017 – $nil), as the fair value of the embedded derivative liabilities increased substantially in Q4 2018.

During the year ended January 31, 2018, the Company also recorded a one-time share-based payment of $254,606, as recognition of the share liability for the common shares issuable to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement (see Proposed Transactions for details).

Cash Flows

Net cash used in operating activities for the year ended January 31, 2018 was $488,204, as compared to net cash flows used in operations of $466,993 in Fiscal 2017.

Net cash provided by financing activities for Fiscal 2018 was $4,227,871, as compared to net cash flows from financing activities of $1,072,427 in Fiscal 2017. The increase was related to funds raised from the May 2017 Convertible Debentures financing, and Tranche 1 of the brokered private placement which closed in January 2018, which raised approximately $1.2 million. The Company also received total proceeds of $855,516 in relation to subscription funds on Tranches 2 to 4 of the brokered private placement financing which closed after year-end, and cash proceeds of $63,299 were also received during Fiscal 2018, from exercises of warrants.

Working Capital and Liquidity Outlook

The Company currently has no regular cash flows from operations, and the level of operations is principally a function of availability of capital resources. The primary source of funding has been through the completion of private placement financings. Going forward, the Company will have to continue to rely on equity or debt financings for its working capital requirements. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions may dictate availability and interest.

As at January 31, 2018, the Company had total assets of $4,528,801, total liabilities of $4,341,885 and total shareholders' equity of $186,916. This compares to total assets of $622,334, total liabilities of $165,506 and total equity of $456,828 as at January 31, 2017. The increase in total assets and total liabilities is primarily attributed to the brokered private placement of $2,500,000 of Convertible Debentures completed on May 12, 2017, which resulted in the recognition of derivative liabilities, and funds received from Tranche 1 of the concurrent financing which closed on January 24, 2018.

As at January 31, 2018, the Company had current assets of $4,528,801 (January 31, 2017 – $622,334), including cash of $4,347,368 (January 31, 2017 – $606,695) to settle current liabilities of $664,191 (January 31, 2017 – $165,506, for a net working capital of $3,864,610 (January 31, 2017 – $456,828).

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

Related Party Transactions and Key Management Compensation

Key management and 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 FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras 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 former CEO to the Company. As at January 31, 2018, $80,825 (January 31, 2017 – $nil) owing to the former 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.

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, 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.

Capital Management

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

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

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

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

As at 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.

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).

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 at year-end.

Summary of Significant Accounting Policies

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.

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.

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.

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 are calculated using Level 2 inputs.

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.

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.

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.

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.

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.

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.

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.

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.

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. Upon expiry, the recorded fair value of the options is transferred to share capital.

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.

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.

Foreign Currency Transactions

<u>Functional and presentation currency</u>

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").

<u>Transactions and balances</u>

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.

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.

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:

<u>IAS 7 – Statement of Cash Flows ("IAS 7")</u>

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.

<u>IAS 12 – Income Taxes ("IAS 12")</u>

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.

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 following standards or amendments will have on the Company's consolidated financial statements. No material impact is expected upon the adoption of these new standards on the consolidated financial statements:

<u>IFRS 9 – Financial Instruments ("IFRS 9")</u>

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.

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.

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.

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.

Proposed Transactions

Nutritional High International Inc.

On February 22, 2017, the Company entered into a LOI with NHII, whereby the Company will build medical and adult use cannabis cultivation facilities in Henderson, Nevada and Pueblo, Colorado ("Proposed Transaction

Agreement"). As part of the Proposed Transaction Agreement, the Company will enter into the following arrangements with NHII:

(i) NHII will assign to the Company its right to acquire a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health for a payment of 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 will issue between 1,000,000 to 3,000,000 common shares to NHII. The Proposed Transaction Agreement may be terminated if certain conditions are not satisfied by June 30, 2017 (the "Drop Dead Date").

On June 29, 2017, the Proposed Transaction Agreement was amended to extend the Drop Dead Date to November 30, 2017 and increase the number of common shares to be issued to 1,750,000 on completion of the closing of the Proposed Transaction.

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 at $0.25 per share, 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 shares at $0.25 per 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 at $0.25 per share;
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

<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.

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. 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 Terpene Station 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, including the approval of the OLCC for the transfer of the licences.

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership with Mt. Baker, 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.

Off-Balance Sheet Arrangements

As at January 31, 2018 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

Amendments to Convertible Debentures

<u>Restated Escrow Agreement</u>

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) Completion of an 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 LLC

On March 6, 2018, the Company entered into a binding LOI to acquire a 100% interest in Altai Partners LLC, a limited liability company operating out of California. 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.

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 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, a medical marijuana dispensary located in the State of Maryland. Pursuant to the LOI, the Company will acquire Quinsam's 35% equity interest in Herbiculture for total consideration of USD $720,000, to be satisfied by the issuance of 3,900,000 common shares of the Company to Quinsam upon closing of the Herbiculture Transaction at a price of USD $0.1846 per share. 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 Herbiculture 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.

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.

Disclosure of Outstanding Share Data as of May 29, 2018

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited number of common shares	55,252,775 common shares
Securities convertible or exercisable into voting or equity		a) 35,153,218 warrants exercisable to acquire common shares of the Company; b) Convertible debentures in the principal amount of $1,120,000, convertible into common shares at the Conversion Price; and c) 5,505,000 outstanding stock options, of which 1,730,000 stock options are exercisable into common shares of the Company.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Company:

Limited operating history in its new area of business

The Company, with a limited operating history in its new area of business, is in the early-stage development and must be considered as a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings. Because the Company has a limited operating history in emerging area of business, investors should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Reliance on securing agreements with Licensed Producers

The regulatory framework in most States restricts the Company from obtaining a License to grow, store and sell marijuana products. As such, the Company relies on securing agreements with Licensed Producers in the targeted jurisdictions that have been able to obtain a License with the appropriate regulatory authorities. Failure of a Licensed Producer to comply with the requirements of their License or any failure to maintain their License would have a material adverse impact on the business, financial condition and operating results of the Company. Should the regulatory authorities not grant a License or grant a License on different terms unfavorable to the Licensed Operators, and should the Company be unable to secure alternative Licensed Operators, the business, financial condition and results of the operation of the Company would be materially adversely affected.

If the US federal government changes its approach to the enforcement of laws relating to marijuana, the Company would need to seek to replace those tenants with non-marijuana tenants, who would likely pay lower rents. It is likely that the Company would realize an economic loss on its capital acquisitions and improvements made to its capital assets specific to the marijuana industry, and the Company would likely lose all or substantially all of its investments in the markets affected by such regulatory changes.

The Company has advanced, and may continue to advance, significant funds to potential sellers in the form of promissory notes, which the Company may not be able to collect if the sellers fails to profitably operate its business. There is no assurance that any or all of the amounts loaned will be recovered by the Company.

Regulation

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Company's operations. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Local, State and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

U.S. Federal Laws

The business operations of the Company are dependent on State laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the business of the Company.

The concepts of "medical marijuana" and "retail marijuana" do not exist under US federal law. The Federal Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under US federal law. Strict compliance with State laws with respect to marijuana will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company.

As of December 29, 2016, 28 States, the District of Columbia and Guam allow their residents to use medical marijuana. Voters in the States of Colorado, Washington, Oregon, Alaska, California, Nevada, Massachusetts, and Maine have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The State laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by State-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the Trump administration will not change the government's stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, State and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Company and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to the business of the Company.

Local regulation could change and negatively impact on the Company's operations

Most US States that permit marijuana for adult use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where the Company or its Licensed Operators have established facilities decide to prohibit marijuana businesses from operating, the Company or its Licensed Operators could be forced to relocate operations at great cost to the Company, and the Company or its Licensed Operators may have to cease operations in such State entirely if alternative facilities cannot be secured.

Regulation that may hinder the Company's ability to establish and maintain bank accounts

The US federal prohibitions on the sale of marijuana may result in Licensed Operators being restricted from accessing the US banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from Licensed Operators. Licensed Operators at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and Licensed Operators. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event that financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that Licensed Operators may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues.

If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Taxes

US federal prohibitions on the sale of marijuana may result in the Company not being able to deduct certain costs from its revenue for US federal taxation purposes if the Internal Revenue Service determines that revenue sources of the Company are generated from activities which are not permitted under US federal law.

Illegal drug dealer could pose threats

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the US, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

Reliance on management

The success of the Company is dependent on the performance of its senior management. The loss of services of these persons would have a material adverse effect on the Company's business and prospects in the short-term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Risks associated with increasing competition

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medicinal and adult use industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labour, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

The Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdiction increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

Factors which may prevent realization of growth targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed, and milestones will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

The products sold by the Company are subject to regulation governing food, dietary supplement, controlled substances and related products

Should the Federal government legalize marijuana for medical or adult use nation-wide, it is possible that the U.S. Food and Drug Administration ("FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical marijuana and marijuana-infused products. Clinical trials may be needed to verify efficacy and safety of the medical marijuana. It is also possible that the FDA would require that facilities where medical marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event, any of these regulations are imposed, The Company cannot foresee the impact on its operations and economics. If the Company or the Licensed Operators are unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company or the Royalty Producer may be unable to continue to operate in its current form or at all.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, discontinuation of products, adverse impact on the Company's reputation with its clients and consumers generally and could have a material adverse effect on its results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of revenue and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company is establishing procedures to test finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Operating risk and insurance coverage

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Uninsurable risks

The medical and retail marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Company's shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Foreign currency exchange rates

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in the US using US Dollars. The Company's financial results are reported in Canadian Dollars and costs are incurred primarily in US Dollars in its Cannabis Cultivation Segment. The depreciation of the Canadian Dollar against the US Dollar could increase the actual capital and operating costs of the Company's US operations and materially adversely affect the results presented in the Company's consolidated financial statements.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Negative publicity or consumer perception may affect the success of our business.

The success of the marijuana industry may be significantly influenced by the public's perception of marijuana. Both the medical and recreational use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favourable. The marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and recreational marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the US or elsewhere, may have a material adverse effect on our operational results, consumer base and financial results. Among other things, such a shift in public opinion could cause State jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new State jurisdictions into which the Company could identify potential acquisition opportunities.

Certain events or developments in the cannabis industry more generally may impact the Company's reputation.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not and the cannabis industry in general, whether true or not. The Company does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the

Company's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse impact on the Company.

Internal Control over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the year ended January 31, 2018, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's CEO, and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this MD&A, management of the Corporation, with the participation of the CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the CEO and CFO, have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Cautionary Note Regarding Forward Looking Statements

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Lineage to fund the capital and operating expenses necessary to achieve the business objectives of Lineage, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the consolidated financial statements in all material aspects. Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate, and assets are safeguarded.

The Audit Committee has reviewed the consolidated financial statements with management. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

May 29, 2018

Peter Bilodeau
Chief Executive Officer