MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED APRIL 30, 2018

June 29, 2018

The following Management's Discussion and Analysis ("MD&A") is current to June 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" or the "Company") for the three months ended April 30, 2018 ("Q1 2019"). 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 unaudited condensed interim consolidated financial statements for the three months ended April 30, 2018, as well as the Company's audited consolidated financial statements and related notes for the year ended January 31, 2018. The Company's unaudited condensed interim consolidated financial statements for the three months ended April 30, 2018 and the financial information contained in this MD&A are prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting based on 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 retail sales and premium quality craft cannabis business in the states of Colorado, Washington, Oregon, California, Maryland and Pennsylvania in the United States (the "US"); the Company's ability to meet its working capital needs for the twelve-months period ending April 30, 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 laws. The Company was previously engaged in the acquisition, exploration and development of mineral resource properties in Canada. On July 25, 2017, the Company through an Article of Amendment, changed its name to Lineage Grow Company Ltd. to reflect the change of business to focus in the cannabis industry in the US. The Company's common shares are currently listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "BUDD".

As at June 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 28, 2018, Lineage received the final listing approval from the CSE, and the Company's common shares began trading 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 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 Chief Executive Officer ("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 Corporation ("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 (see Proposed Transactions for details).

On June 6, 2018, the Company announced that it had submitted applications to the Oregon Liquor and Cannabis Commission (the "OLCC") to secure Marijuana Retailer Licenses (the "Licenses") in connection with the previously-announced Terpene Acquisition (see Proposed Transactions for details).

On June 7, 2018, the Company announced that it has entered into an agreement (the "Investment Agreement") with a Pennsylvania-based medical marijuana company (the "Investee") to finance the Permit Fee (the "Permit Fee") associated with the Investee's application for a Grower/Processor Permit under the Pennsylvania Medical Marijuana Program ("PMMP") (the "Application"). Pursuant to the Investment Agreement, Lineage has provided the Investee with USD $200,000 to finance the Permit Fee for the Application, in exchange for 20% of the Investee's common membership interests (see Proposed Transactions for details).

On June 12, 2018, the Company entered into an agreement under agreed term sheet (the "Agreement") to acquire California-based Walnut Oaks, LLC d/b/a Agris Farms ("Agris Farms") (the "Agris Farms Transaction"). Agris Farms operates a premium quality craft cannabis cultivation facility in Northern California. Pursuant to the Agreement, Lineage will acquire a 51% interest in Agris Farms based on an implied enterprise value of USD $6,600,000. Consideration will be in the form of stock and the assumption of liabilities. Lineage will have an option to acquire the remaining 49% of Agris Farms within 6-months from closing for stock consideration (see Proposed Transactions for details).

Financing Developments

Private Placement Financing

On February 8, 2018, the Company closed the second tranche of a brokered private placement financing, consisting of 3,442,065 units at a price of $0.25 per unit, for gross proceeds of $860,516. 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 brokered private placement, the Company paid finders' fee of $62,900 and issued 251,600 finders' warrants.

On February 14, 2018, the Company closed the third tranche of a brokered private placement financing, consisting of 3,047,600 units at a price of $0.25 per unit, for gross proceeds of $761,900. 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 closing. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,800 and issued 75,200 finders' warrants.

On February 16, 2018, the Company closed the fourth and last tranche of a brokered private placement financing, consisting of 900,000 units at a price of $0.25 per unit, for gross proceeds of $225,000. 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 brokered private placement, the Company also paid finders' fee of $18,000 and issued 72,000 finders' warrants.

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 Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc. ("FMI");

(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 Greeneries, LLC ("Mt. Baker"), and registration of a second secured position over assets acquired in the Terpene Acquisition; and

(v) Completion of an Equity Financing.

<u>Repricing of the Convertible Debentures</u>

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, the conversion price of the Convertible Debentures was amended from $0.25 to $0.20. The adjustment to the conversion price was retroactive upon closing of the first tranche of a brokered private placement financing on January 24, 2018. Effective February 26, 2018, the exercise price of the common share purchase warrants issued was also amended from $0.325 to $0.25.

Other Financing Activities

On March 7, 2018, the Company issued 1,650,000 common shares to Nutritional High International Inc. ("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 FMI Capital Advisory Inc. ("FMICA") as compensation for its consulting services in relation to the closing of the private placement financing.

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.

During the three months ended April 30, 2018, the Company issued 6,400,000 common shares as a result of the conversion of 1,280 units of the Convertible Debentures at the adjusted conversion price of $0.20.

On May 14, 2018, 500,000 common shares were issued as a result of the conversion of 100 units of the Convertible Debentures at the adjusted conversion price of $0.20.

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.

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.

Outlook and Growth Strategy

Lineage is focused on assembling licensed operators with good growth potential and superior management, either through direct acquisition or through joint ventures, with an aim towards a dominant vertically-integrated cannabis business that leverages best-in-class cultivation, brands, 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, branding, distribution, and retail management to drive performance across the asset base.

The US cannabis market is ripe with opportunity for an aggressive roll-up strategy, and remains fragmented with many fast-growing but undercapitalized companies seeking value-added financial partners. Lineage is looking to capitalize on this opportunity by assembling a multi-state portfolio of operating companies at accretive valuations with attractive fundamentals. To date, Lineage has assembled the following portfolio of projects and acquisitions:

State of Washington – Strategic Washington Partnership

Under the strategic partnership with Mt. Baker, a Tier 2 producer processor in Bellingham, Washington, Lineage has entered into IP licensing, equipment leasing, and consulting agreements with Mt. Baker, in order to maximize the efficiency of Mt. Baker's cannabis cultivation and extraction. Under a joint-venture with NHII, Lineage is developing an indoor cultivation facility to supply an in-house extraction operation and serve as a R&D testing ground for innovative cultivation techniques.

State of Oregon – Terpene Station Acquisition

Through the Terpene Acquisition, Lineage has identified two retail dispensaries operating under the Terpene Station banner in the State of Oregon, which are involved with the marketing and sale of cannabis flower, edibles, and oils with the Portland location being the first OLCC licensed recreational store in the state with a track record of serving the Oregon craft cannabis market. The Terpene Acquisition was entered into with a view towards establishing operations focused on serving the premium quality segment of the cannabis market in Oregon, where Lineage's objective is to establish a vertically-integrated cannabis operation to manufacture and sell premium quality cannabis branded products. The acquisition of the two dispensaries is in line with this objective and puts the Company in an advantageous position when structuring transactions to acquire cultivation operations up the value chain.

Lineage is currently engaged in finalizing the Terpene Acquisition. In accordance with this process, two Marijuana Retailer Applications had been submitted to the OLCC to secure the Licenses, which would allow the Company to operate the retail dispensaries upon completion of the Terpene Acquisition. Upon approval from the OLCC to operate the dispensaries, Lineage intends to complete the Terpene Acquisition, and to roll-out an integration and performance improvement initiative to maximize value by deploying best-in-class operating procedures and marketing strategies.

While the Company works towards closing the Terpene Acquisition, management is simultaneously evaluating cultivation and extraction opportunities with a view towards achieving full vertical integration in Oregon.

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 the State of 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 California – Agris Farms Acquisition

Under the Agris Farms Transaction, Lineage has entered into the Agreement to acquire Agris Farms, which operates a fully-licensed and fully-operational 40,500 sq. ft. greenhouse facility and a 3,000 sq. ft. craft-style indoor facility in Yolo County (the "Yolo Grow"). The Yolo Grow is in commercial production with annual production capacity of 6,000 lbs. of premium quality craft cannabis.

Under this agreement in a separate company, the principals of Agris Farms are developing a 55,000 sq. ft. state-of-the-art integrated indoor cultivation and extraction facility in Sacramento (the "Sacramento Project"). The Sacramento Project has a Conditional Use Permit pending, currently under review by the City of Sacramento and will provide an additional 25,000 sq. ft. of craft-style indoor canopy as well as 10,000 sq. ft. of production space dedicated to manufacturing high-margin concentrate and branded products. In connection with the Agris Farms Transaction, Lineage will have an option to acquire the Sacramento Project.

The Agris Farms Transaction will provide the Company with foundational assets to execute on the Company's expansion strategy in California. Upon closing of these acquisitions and completion of build outs, Lineage will be able to drive sales of premium branded products including craft flower and high-margin concentrates through its wholly-owned dispensary while capturing margin along the entire value chain.

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.

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 acquire an option to purchase 35% of common shares of Herbiculture which will be exercised by the Company on closing. In addition, the Company will be granted a "tag-along" right in case the majority shareholders of Herbiculture sell their stake. The Herbiculture Transaction is subject to various conditions including approval of the Marijuana Medical Marijuana Commission of the transfer and the execution of a definitive agreement.

State of Pennsylvania – Investment Agreement

Under the Investment Agreement with the Pennsylvania-based Investee to finance the Permit Fee under the PMMP Application, should the Application be approved, Lineage and the Investee shall engage in negotiations regarding an investment on behalf of Lineage to finance the construction, development and operation of a medical marijuana grow/processing facility in Duquesne, Pennsylvania (the "Phase 2 Investment"). If Lineage and the Investee are unable to reach mutually-agreeable terms regarding the Phase 2 Investment, the Permit Fee shall be refunded to Lineage and the Investee shall adjust the equity interest such that Lineage would own 25% of the Investee's common membership interests.

The Investment Agreement provides Lineage with access in a market like Pennsylvania with high barriers to entry and attractive long-term growth prospects with a view towards acquiring an additional interest should the Permit be granted.

Regulatory Overview

US Federal Law

While marijuana and cannabis 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 June 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 April 30, 2018:

	Subsidiaries	Total
	$	$
Current assets	**35,941**	35,941
Total assets	**35,941**	35,941
Current liabilities	**-**	-
Total liabilities	**-**	-

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 three months ended April 30, 2018:

	Subsidiaries	Total
	$	$
Revenue	**-**	-
Operating expenses	**53,364**	53,364
Net loss from operations	**(53,364)**	(53,364)

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 April 30, 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 $434 during the three months ended April 30, 2018 (2017 – $14,004). The exploration and evaluation expenditures incurred during the current quarter are primarily related to renewals of certain claims under the Property.

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 63 non-contiguous claims with the following ownership and subjected royalties:

- 18 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 the end of the reporting period and for the three most recently completed financial years ended January 31 are summarized as follows:

	3-months ended April 30, 2018	January 31, 2018	January 31, 2017	January 31, 2016
	$	$	$	$
Operating expenses	(602,661)	(1,226,258)	(256,571)	(227,874)
Other expenses	(1,351,983)	(1,365,754)	(15,889)	(14,755)
Net loss	(1,954,644)	(2,592,012)	(272,460)	(242,629)
Loss per share	(0.039)	(0.079)	(0.026)	(0.029)
Total assets	4,506,831	4,528,801	622,334	28,901
Total liabilities	2,865,419	4,341,885	189,797	485,878
Shareholders' equity (deficiency)	1,641,412	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:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
	$	$	$	$
Operating loss	602,661	655,226	268,444	196,981
Net loss	(1,954,644)	(1,909,044)	(381,575)	(192,171)
Loss per share – basic and diluted	(0.039)	(0.058)	(0.012)	(0.006)
Working capital	4,084,979	3,864,610	2,205,312	2,448,167

	Q1 2018	Q4 2017	Q3 2017	Q2 2017
	$	$	$	$
Operating loss	105,607	160,260	32,028	40,432
Net loss	(109,222)	(163,573)	(31,405)	(47,606)
Loss per share – basic and diluted	(0.003)	(0.022)	(0.001)	(0.002)
Working capital (deficiency)	347,427	456,828	(517,506)	(482,064)

Financial Results for the Three Months ended April 30, 2018

Results of Operations

During the three months ended April 30, 2018 ("Q1 2019"), the Company incurred a net loss of $1,954,644 or $0.039 per share, as compared to a net loss of $109,222 or $0.003 per share for the three months ended April 30, 2017 ("Q1 2018"). The significant increase in net loss was primarily the result of higher expenses incurred from the Company's increased scope of operations with the shift into the cannabis cultivation business, which resulted in higher consulting and professional fees incurred, as well as from the fair value increase from the period-end re-valuation on the embedded derivative liabilities and a loss on settlement of shares.

During Q1 2019, the Company incurred management and consulting fees of $373,080, including a share-based payment of $80,000, as compared to $53,000 in Q1 2018. The increase was primarily due to increased consulting activities provided by FMICA for strategic advisory services, and for consulting services provided by the former CEO, including a bonus of $150,000 which was paid upon the Company securing its listing on the CSE. During the current quarter, the Company also incurred professional fees of $72,829, as compared to $39,898 in Q1 2018. The substantial increase in fees paid is a direct reflection of the Company's continued expansion strategy into the US cannabis market.

Office and general expenses totaled $151,677 in Q1 2019, as compared to a cost recovery of $1,295 in Q1 2018, and were related to an increased scope of operations.

Finance costs, comprising of interest and accretion on debentures, totaled $153,064 in Q1 2019 (Q1 2018 – finance costs of $3,615) and were principally related to the May 2017 Convertible Debentures. 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 $832,293 during Q1 2019 (Q1 2018 – $nil), as the fair value of the embedded derivative liabilities increased during the quarter.

During Q1 2019, the Company also recorded a one-time loss on settlement of shares of $347,644, on the issuance of 1,650,000 common shares 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 April 30, 2018 was $2,154,848, as compared to net cash flows used in operations of $122,698 in Q1 2018. The substantial increase was primarily attributed due to the increased scope of operations and the Company's continued expansion into the US cannabis industry. The change is also related to the use of working capital during the current quarter. As funds were received on closing of the private placement financings, the Company utilized some of the funds to pay off certain of its obligations, as well as having made certain deposits and advances, as part of its continued expansion strategy.

Net cash provided by financing activities for Q1 2019 was $877,144, as compared to net cash flows from financing activities of $649,821 in Q1 2018. The increase was related to additional funds received on closing of Tranches 2 to 4 of the concurrent financing. Together with funds of approximately $850,000 which were already received as at the end of the prior year, the Company raised an additional $991,900 during the quarter, for total funds raised of approximately $1.8 million. Cash proceeds of $17,500 from exercise of warrants were received in Q1 2019.
Net cash used in investing activities for Q1 2019 was $386,730 (USD $300,000), which represents the first of four cash payments to LUX shareholders of USD $300,000, beginning April 28, 2018 and ending December 30, 2018, as consideration for the Altai Acquisition. During Q1 2018, the Company had not undertaken any investing activities.

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 April 30, 2018, the Company had total assets of $4,506,831, total liabilities of $2,865,419 and total shareholders' equity of $1,641,412. This compares to total assets of $4,528,801, total liabilities of $4,341,885 and total equity of $186,916 as at January 31, 2018. The decrease in total liabilities is primarily attributed to the conversion of debentures in common shares of the Company during the quarter, while the increase in equity is related to the conversion of debentures, and closing of the ensuing tranches of the concurrent financing which closed in February 2018.

As at April 30, 2018, the Company had current assets of $4,506,831 (January 31, 2018 – $4,528,801), including cash of $2,682,895 (January 31, 2018 – $4,347,368) to settle current liabilities of $421,852 (January 31, 2018 – $664,191, for a net working capital of $4,084,979 (January 31, 2018 – $3,864,610).

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 period-end.

Related Party Transactions and Key Management Compensation

Key management personnel compensation

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

On October 15, 2010, the Company and FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, the CEO and Director of Lineage, is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras, the Corporate Secretary of the Company, is a director and whereas his minor children hold an indirect interest. For the three months ended April 30, 2018, the Company was charged $117,667 (2017 – $36,000) for consulting services provided by FMICA. As at April 30, 2018, no balance was owed to FMICA (January 31, 2018 – 87,033; included in accounts payable and accrued liabilities).

During the three months ended April 30, 2018, the Company recorded fees of $158,000, including a bonus of $150,000 paid upon the Company securing its listing on the CSE (2017 – $nil), included in management and consulting fees, for services rendered by the former CEO to the Company. As at April 30, 2018, no balance was owed to the former CEO (January 31, 2018 – $80,825; 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 $8,000. For the three months ended April 30, 2018, the Company was charged $27,675 (2017 – $15,000) for services provided by Branson. As at April 30, 2018, no balance was owed to Branson (January 31, 2018 – $15,000; included in accounts payable and accrued liabilities).

During the three months ended April 30, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $42,919 (2017 – $38,332) of legal services to the Company, which are included in professional fees. As at April 30, 2018, an amount of $18,250 (January 31, 2018 – $124,954) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three months ended April 30, 2018, officers and directors of the Company received stock-based compensation of $3,094 (2017 – $nil).

Agreements with related parties

On January 24, 2018, the Company and FMI entered into a private placement finder's fee agreement in relation to the January 2018 Offering, and the ensuing Tranches of the brokered private placements which closed in February 2018. Peter Bilodeau and Adam Szweras are the President and the Chairman of FMI, respectively. Of the Tranches which closed in February 2018, FMI was paid the following compensation:

- Tranche 2: Finder's fee of $28,925 and 80,200 finders' warrants exercisable at $0.25 for 2 years;
- Tranche 3: Finder's fee of $12,800 and 51,200 finders' warrants exercisable at $0.25 for 2 years; and
- Tranche 4: Finder's fee of $4,500 and 18,000 finders' warrants exercisable at $0.25 for 2 years.

Effective April 17, 2018, the Company and Peter Bilodeau entered into a consulting agreement, providing for CEO and consulting services to the Company. Fees of $10,000 are payable on a monthly basis from the effective date.

Subscriptions by related parties

During the three months ended April 30, 2018, directors and officers of the Company had subscribed a total of 920,000 units, for proceeds of $230,000, from Tranche 3 of the brokered private placement which closed on February 14, 2018.

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 April 30, 2018, the Company's capital consists of share capital, conversion component of convertible debentures, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $1,641,412 (January 31, 2018 – $186,916).

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 three months ended April 30, 2018 and the year ended January 31, 2018.

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 unaudited condensed interim 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 period-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 April 30, 2018, the Company had a cash balance of $2,682,895 (January 31, 2018 – $4,347,368) to settle current liabilities of $421,852 (January 31, 2018 – $664,191).

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 period-end.

Summary of Significant Accounting Policies

Refer to Note 3 of the Company's audited consolidated financial statements for the year ended January 31, 2018 for a detailed description of significant accounting policies.

Changes in Accounting Policies

The Company adopted the following standards, effective February 1, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's unaudited condensed interim consolidated financial statements:

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

IFRS 9 replaces 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.

<u>IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")</u>

IFRS 15 replaces 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.

<u>IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")</u>

IFRIC 22 was issued on December 8, 2016 and 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.

Recent Accounting Pronouncements

The IASB and the IFRIC 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 unaudited condensed interim consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

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 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 the Company's unaudited condensed interim consolidated financial statements in accordance 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 could differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. 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.

Proposed Transactions

Nutritional High International Inc.

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

(i) All sections of the Proposed Transaction relating to the acquisition of a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health and the acquisition of real property in Henderson, Nevada have been removed.

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

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

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

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

As at January 31, 2018, the Company had recognized a share liability amount of $254,606 for the common shares to be issued to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement.

On March 7, 2018, 1,650,000 common shares were issued by the Company to NHII.

<u>Put Option Agreement</u>

Pursuant to the Put Option Agreement, the following triggering events 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.

On June 25, 2018, with the consent of the debenture holders, the Company entered into an amended Put Option Agreement to amend the definition of the triggering event, related to the timeline the Company has to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations, from June 30, 2018 to August 31, 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 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 Terpene 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.

Altai Partners

On March 6, 2018, the Company entered into a binding LOI to acquire a 100% interest in Altai, 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, 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 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. 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.

Off-Balance Sheet Arrangements

As at April 30, 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

Put Option Agreement

On June 25, 2018, with the consent of the debenture holders, the Company entered into an amended Put Option Agreement to amend the definition of the triggering event, related to the timeline the Company has to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations, from June 30, 2018 to August 31, 2018.

Terpene Station

On June 6, 2018, the Company announced that it had submitted applications to the OLCC to secure Marijuana Retailer Licenses in connection with the Terpene Acquisition. Lineage is currently engaged in the process of acquiring two retail dispensary locations in Portland and Eugene, Oregon. In accordance with this process, two Marijuana Retailer Applications were submitted to the OLCC to secure the Licenses which would allow the Company to operate the retail dispensaries upon completion of the Terpene Acquisition.

Investment in Pennsylvania

On June 7, 2018, the Company announced that it has entered into the Investment Agreement with a Pennsylvania-based medical marijuana Investee to finance the Permit Fee associated with the Investee's application for a Grower/Processor Permit under the PMMP Application. Pursuant to the Investment Agreement, Lineage has provided the Investee with USD $200,000 to finance the Permit Fee for the Application. In exchange, Lineage is entitled to 20% of the Investee's common membership interests. If the Investee is not awarded the Permit, the Permit Fee shall be refunded to Lineage.

Walnut Oaks

On June 12, 2018, the Company entered into the Agreement to acquire California-based Walnut Oaks, LLC d/b/a Agris Farms. Agris Farms operates a premium quality craft cannabis cultivation facility in Northern California. Pursuant to the Agreement, Lineage will acquire a 51% interest in Agris Farms based on an implied enterprise value of USD $6,600,000. Consideration will be in the form of stock and the assumption of liabilities. Lineage will have an option to acquire the remaining 49% of Agris Farms within 6-months from closing for stock consideration. The Agris Farms Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the Agreement, receipt of applicable corporate approvals, and other regulatory and/or governmental approval.

FMICA is acting as exclusive financial advisor to Lineage in connection with the Agris Farms Transaction.

Shares, warrants and options transactions

On May 14, 2018, 500,000 common shares were issued as a result of the conversion of 100 units of Convertible Debentures at the adjusted conversion price of $0.20.

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.

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 June 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) 34,664,407 warrants exercisable to acquire common shares of the Company; b) 1,120 units of Convertible Debentures in the principal amount of $1,120,000, convertible into common shares at the conversion price of $0.20; 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.

Violations of any US federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect, and as a result the Company, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical cannabis licenses in the US, and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

As of June 2, 2018, 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.

There are risks associated with removal of U.S. Federal Budget Rider Protections

The US Congress has passed appropriations bills (the "Leahy Amendment") each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018 and included the re-authorization of the Leahy Amendment. It will continue in effect until September 30, 2018, the last day of fiscal year 2018.

American courts have construed these appropriation bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business-even those that have fully complied with state law-could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

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 ("IRS") determines that revenue sources of the Company are generated from activities which are not permitted under US federal law. Section 280E of the Internal Revenue Code of 1986 prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

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.

The Company may be vulnerable to unfavorable publicity or consumer perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use cannabis industry. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

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.

The Market Price of Securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the Shares and Warrants may be due to the Company's operating results or its US Investees' operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Shares and Warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the shares and warrants may be materially adversely affected.

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 three months ended April 30, 2018 and 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 period 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements with management. The Board of Directors has approved the unaudited condensed interim consolidated financial statements on the recommendation of the Audit Committee.

June 29, 2018

Peter Bilodeau
Chief Executive Officer