



Lineage to Acquire Harborside's Iconic California Dispensaries and Cultivation Campus, Creating California's Premier Vertically Integrated Cannabis Company

TORONTO, Aug. 13, 2018 -- Lineage Grow Company Ltd. (the "**Company**" or "**Lineage**") (CSE:BUDD) and FLRish Inc., a California corporation d/b/a Harborside ("**Harborside**"), are pleased to announce they have entered into a binding letter agreement (the "**Agreement**") pursuant to which Harborside will effect a reverse takeover transaction that will result in, among other things, Lineage acquiring all of the issued and outstanding securities of Harborside on a debt free basis in exchange for newly issued common shares of Lineage ("**Lineage Shares**") valued at approximately \$200 million (the "**Transaction**"). Harborside, among other things, operates two flagship dispensaries in the Bay Area, a cultivation facility in Salinas, California, and owns the Harborside brand. The Transaction will provide access to capital required to facilitate Harborside's expansion plans in California and the contiguous western states. All references to dollar amounts in this press release are to Canadian dollars.

Transaction Overview

Under the terms of the Transaction, 100% of the outstanding securities of Harborside shall be exchanged for Lineage securities. The deemed price per Lineage Share issued to Harborside securityholders shall be **\$0.165**, and the final number of Lineage Shares issued in exchange for the outstanding Harborside securities shall be determined at the time the Transaction closes and will be subject to adjustments based on the anticipated Harborside securities offering and additional near-term acquisitions.

Following completion of the Transaction, current shareholders of Harborside are anticipated to hold in excess of 80% of the common shares of Lineage upon completion of the Transaction (the "**Resulting Issuer**"). The Resulting Issuer is expected to operate under the name "Harborside, Inc." The Transaction will be a "fundamental change" under the policies of Canadian Securities Exchange (the "**CSE**"). Lineage will file an application to the CSE to approve the Transaction and for the Resulting Issuer to continue trading on the CSE. Lineage will be calling a special meeting of shareholders to approve the Transaction and related matters and will be filing a management information circular containing disclosure on Harborside, Lineage, the Resulting Issuer and the Transaction which will be provided to the Lineage shareholders prior to the shareholders' meeting.

Trading in Lineage Shares has been halted because of this announcement and will remain halted until the resumption of trading is approved by the CSE. Assuming the satisfaction of customary closing conditions, including the approval of Harborside and Lineage shareholders and approval by the CSE, the Transaction is expected to close and trading is anticipated to resume in the fourth quarter of this year. When completed, the Transaction will constitute a fundamental change of Lineage (as such term is defined by the CSE). FMI Capital Advisory Inc. ("**FMICA**") is acting as exclusive financial advisor to Harborside and Lineage in connection with the Transaction.

Completion of the Transaction will be subject to satisfaction or waiver of terms and conditions, customary or otherwise, including but not limited to satisfactory completion of due diligence, execution of a definitive agreement and all required approvals and consents, including the approval of the CSE and shareholders of Lineage.

Convertible Debenture Financing

Harborside intends to complete a convertible debenture financing ("**Convertible Debenture Financing**") prior to the closing of the Transaction, for gross proceeds of CAD \$20 million. The funds raised will be used for capital expenditures at Harborside's cultivation campus in Salinas, CA, development of Harborside's retail management services business segment, general corporate expenses, working capital, and a loan to Lineage to assist with completion of its previously announced acquisitions pending closing of this "Transaction".

Management Commentary

Steve DeAngelo, Chairman Emeritus and Co-Founder of Harborside, commented, "I founded Harborside with dress wedding in 2006 to provide a gold standard of medical cannabis retailing; to serve patients with the most attractive facilities, highest levels of care, and best product knowledge in the industry; and to offer and produce safe, innovative and effective products that improve the quality of our customers' lives. We hoped to demonstrate cannabis can bring benefits to communities instead of harm, to encourage further reform, and in time provide an unrivaled and trusted experience in an adult use market. That time has now arrived, so I am delighted to see Harborside merging with Lineage, which will allow us to access the Canadian capital markets, position Harborside for unparalleled growth and opportunity, and bring our gold standard approach and branded products to more communities and greater numbers of consumers."

Lineage's chief executive officer Peter Bilodeau, who will assume the role of Chairman of the Board of Directors of the Resulting Issuer, commented, "We are very excited to be joining forces with Harborside, one of the most iconic and longstanding brands in the cannabis industry, which positions the resulting company extremely well for future growth. After the Transaction, the company will have access to the necessary resources to fulfill our combined vision for California's most trusted, vertically-integrated cannabis company focused on high margin retail and branded product sales channels."

Harborside's Chief Executive Officer, Andrew Berman, who will serve as Chief Executive Officer of the Resulting Issuer following the Transaction, added, "This combination with Lineage will establish a platform for Harborside to continue expansion of its retail program and vertically-integrated, California-centric business model. Concurrently with this announcement, Harborside is issuing convertible debentures to raise approximately CAD \$20m of new funds prior to the Transaction, enabling us to continue executing on our expansion plans as we move through the Transaction documentation and approval processes. These are tremendously exciting times for the company, our staff and the industry. As the fully regulated California market unfolds, we see strong growth in consumer demand and in the area of branded products, a market in which the Harborside and Key brands are market leaders and very well positioned."

FMICA Chairman Adam Szweras, added, "We are very pleased to see this transaction moving forward and believe it accretes significant value for all parties involved. Harborside is a natural fit with Lineage given the companies' shared focus on the California cannabis market and specifically high value segments within it such as retail and branded products. We look forward to facilitating the execution of the transaction and playing a role in defining the resulting company's strategy going forward."

About Harborside

Harborside currently manages the Harborside Oakland and Harborside San Jose retail cannabis dispensary stores in California, which is projected to be the largest adult-use cannabis market in the United States. The Harborside Oakland dispensary was founded in 2006 by Steve DeAngelo and dress wedding, and the Harborside brand today is well known throughout California and globally. Combined, the two Harborside dispensaries have generated over CAD \$400 million in sales since their opening, including over CAD \$50 million sales in 2017. In addition, Harborside operates a cultivation campus in Salinas, California that was established in 2016 and produces high-quality, low-cost cannabis at scale for sale through the Harborside dispensaries, third-party dispensaries, distributors, and manufacturing partners. Harborside is currently structured as a private California corporation.

About Lineage Grow Company Ltd.

Lineage Grow Company Ltd. is a reporting issuer that is listed on the Canadian Securities Exchange ("**CSE**"). 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.

For updates on the Company's activities and highlights of the Company's press releases, investor deck and other media coverage, please visit Lineage's web site (under construction) at www.lineagegrow.com

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This news release may contain "forward-looking" statements and information based on current expectations. These "forward looking" statements may use such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. Forward looking information in this press release includes the statement that the terms of the Transaction; expected time for closing of the Transaction; management's plan to apply to the CSE, to call a special shareholders' meeting and to file a management information circular; the terms of Herbicide convertible debenture offering and expected use of proceeds; management's belief that the Transaction will provide access to capital required to facilitate Harborside's expansion plans in California and the contiguous western states; Harborside's belief that the Transaction will allow Harborside to access the Canadian capital markets, position Harborside for unparalleled growth and opportunity, and bring its gold standard approach and branded products to more communities and greater numbers of consumers; Harborside's belief that the Transaction will establish a platform for Harborside to continue expansion of its retail program and vertically-integrated, California business model; Harborside's belief that strong growth in consumer demand and in the area of branded products, a market in which the Harborside and Key brands are market leaders and very well positioned; management's plan to establish dominant vertically-integrated cannabis businesses that leverage best-in-class cultivation, brands, distribution, and retail assets; and management's intention to target legalized cannabis markets across multiple jurisdictions in the United States and Canada; and management's plan to deploy best practices in cultivation, branding, distribution and retail management to drive performance across the Lineage's asset base. These statements should not be read as guarantees of future performance or results. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Such risks include operational risks; U.S. federal regulation risks; variation in state regulations; change of cannabis laws; security risks; risks related to operational permits and authorizations; risks on liability, enforcement

complaints etc.; banking risks; risk that the Company's limited operating history makes evaluating its business and prospects difficult; need for funds; risk that the Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs; risk that the Company may need to incur significant expenses to enforce its proprietary rights, and if the Company is unable to protect such rights, its competitive position could be harmed; risks related to trade secrets; risk that Company is dependent upon its existing management, its key research and development personnel and its growing and extraction personnel, and its business may be severely disrupted if it loses their services; risk of potential for conflict of interest; risk related to inability to innovate and find efficiencies; competition risks; risk that a drop in the retail price of medical marijuana products may negatively impact the business; consumer acceptance of marijuana; potential future acquisitions and/or strategic alliances may fail to materialize and may have an adverse effect on the Company's ability to manage its business; risk on management of growth; risk related to general economic trends; tax risk and currency fluctuation risks. For details of the risks faced by the Company, please see the Company's listing statement dated February 26, 2018 available at www.sedar.com under the Company's profile. There is no certainty that any of these events will occur. Although such statements are based on management's reasonable assumptions, there can be no assurance that such assumptions will prove to be correct. All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by applicable securities laws.

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