LINEAGE GROW
COMPANY LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Lineage Grow Company Ltd. are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the unaudited condensed interim consolidated statements of financial position. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Peter Bilodeau"
Peter Bilodeau
Chief Executive Officer

"Keith Li"
Keith Li
Chief Financial Officer

LINEAGE GROW COMPANY LTD.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at October 31, 2018	As at January 31, 2018
	$	$
Assets		
Current Assets		
Cash	**267,617**	4,347,368
HST receivables (Note 5)	**157,702**	63,152
Inventories (Note 6)	**118,506**	-
Prepaid expenses and advances (Note 7)	**1,622,155**	118,281
Promissory notes receivable (Note 8)	**1,439,535**	-
Total Current Assets	**3,605,515**	4,528,801
Non-Current Assets		
Equipment (Note 9)	**218,605**	-
Intangible assets (Notes 4 and 10)	**275,325**	-
Goodwill (Notes 4 and 10)	**951,276**	-
Total Assets	**5,050,721**	4,528,801
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**488,881**	664,191
Convertible debentures – current (Note 12)	**147,550**	-
Derivative liabilities (Note 12)	**177,693**	-
Note payable – current (Note 17)	**199,301**	-
Total Current Liabilities	**1,013,425**	664,191
Non-Current Liabilities		
Convertible debentures (Note 12)	**-**	2,166,863
Derivative liabilities (Note 12)	**-**	1,510,831
Note payable (Note 13)	**920,077**	-
Total Liabilities	**1,933,502**	4,341,885
Shareholders' Equity		
Share capital (Note 14)	**10,871,462**	5,692,180
Shares to be issued (Note 14)	**-**	1,110,122
Conversion component of convertible debentures (Notes 12 and 13)	**172,826**	8,824
Reserve for warrants (Note 15)	**1,832,141**	1,223,176
Reserve for share-based payments (Note 16)	**357,036**	72,638
Accumulated other comprehensive income	**27,250**	1,006
Accumulated deficit	**(10,143,496)**	(7,921,030)
Total Shareholders' Equity	**3,117,219**	186,916
Total Liabilities and Shareholders' Equity	**5,050,721**	4,528,801

Nature of operations (Note 1)
Commitments and contingencies (Note 20)
Subsequent events (Note 22)

Approved on behalf of the Board of Directors:

"Peter Bilodeau" (signed)	*"Aurelio Useche" (signed)*
CEO and Director	Director

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Three months ended October 31, 2018	Three months ended October 31, 2017	**Nine months ended October 31, 2018**	Nine months ended October 31, 2017
	$	$	**$**	$
Sales	**191,238**	-	**191,238**	-
Cost of goods sold (Note 6)	**(121,637)**	-	**(121,637)**	-
Gross Margin	**69,601**	-	**69,601**	-
Expenses				
Management and consulting fees (Note 17)	**193,219**	77,539	**778,308**	217,439
Professional fees (Note 17)	**139,702**	115,579	**400,507**	223,685
Stock-based compensation (Note 16)	**103,676**	27,910	**293,598**	40,185
Share-based payments (Note 14)	**61,021**	-	**141,021**	-
Office and general	**278,177**	44,889	**563,921**	70,897
Amortization (Note 9)	**4,002**	-	**4,002**	-
Exploration and evaluation expenditures	**-**	2,527	**3,488**	18,826
	(779,797)	(268,444)	**(2,184,845)**	(571,032)
Loss before the Undernoted	**(710,196)**	(268,444)	**(2,115,244)**	(571,032)
Interest and other income	**601**	-	**8,826**	-
Fair value changes in derivative liabilities (Note 12)	**918,261**	43,076	**133,428**	76,575
Finance costs (Notes 12 and 13)	**(50,778)**	(156,207)	**(249,476)**	(279,586)
Net Income (Loss)	**157,888**	(381,575)	**(2,222,466)**	(774,043)
Other Comprehensive Income (Loss)				
Exchange gain (loss) on translation of foreign operations	**23,690**	(2,372)	**26,244**	(3,919)
Total Comprehensive Income (Loss)	**181,578**	(383,947)	**(2,196,222)**	(777,962)
Weighted Average Number of Shares Outstanding				
Basic and Diluted	**59,790,947**	32,246,740	**54,908,657**	32,159,968
Net Income (Loss) per Share				
Basic and Diluted	**0.003**	(0.012)	**(0.040)**	(0.024)

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Three months ended October 31, 2018	Three months ended October 31, 2017	**Nine months ended October 31, 2018**	Nine months ended October 31, 2017
	$	$	**$**	$
Operating Activities				
Net income (loss) for the period	**157,888**	(381,575)	**(2,222,466)**	(774,043)
Adjustments for non-cash items:				
Amortization (Note 9)	**4,002**	-	**4,002**	-
Finance costs (Notes 12 and 13)	**50,778**	156,207	**249,476**	279,586
Interest accrued on promissory notes (Note 8)	**1,899**	-	**(27,630)**	-
Fair value changes in derivative liabilities (Note 12)	**(918,261)**	(43,076)	**(133,428)**	(76,575)
Stock-based compensation (Note 16)	**103,676**	27,910	**293,598**	40,185
Share-based payments (Note 13)	**61,021**	-	**141,021**	-
	(538,997)	(240,534)	**(1,695,427)**	(530,847)
Changes in non-cash working capital:				
HST receivables (Note 5)	**(29,133)**	(13,781)	**(94,550)**	(23,336)
Inventories	**(61)**	-	**(61)**	-
Prepaid expenses (Note 7)	**95,593**	(12,053)	**(357,330)**	(11,219)
Accounts payable and accrued liabilities (Note 11)	**208,849**	105,660	**(175,310)**	273,879
Cash Flows (Used in) Operating Activities	**(263,749)**	(160,708)	**(2,322,678)**	(291,523)
Financing Activities				
Proceeds from private placements (Note 14)	**-**	-	**991,900**	-
Share issue costs (Note 14)	**-**	-	**(132,256)**	-
Proceeds from convertible debentures financing (Note 12)	**-**	-	**-**	2,500,000
Issuance costs of debentures financing (Note 12)	**-**	-	**-**	(280,815)
Proceeds from note payable (Note 17)	**197,130**	-	**197,130**	-
Proceeds from exercise of warrants (Note 14)	**200,000**	-	**217,500**	3,118
Proceeds from exercise of options (Note 14)	**25,000**	-	**33,500**	-
Cash Flows Provided by Financing Activities	**422,130**	-	**1,307,774**	2,222,303
Investing Activities				
Acquisition of Terpene Station (Note 4)	**(519,000)**	-	**(519,000)**	-
Cash acquired on Terpene Station Acquisition (Note 4)	**12,780**	-	**12,780**	-
Promissory notes receivable from Altai Partners (Notes 8 and 20)	**-**	-	**(981,050)**	-
Promissory notes receivable from Walnut Oaks (Notes 8 and 20)	**(395,940)**	-	**(395,940)**	-
Advances made to Altai Partners (Notes 7 and 20)	**(401,760)**	-	**(1,182,780)**	-
Additions of intangible assets (Note 10)	**(12,608)**	-	**(12,608)**	-
Cash Flows (Used in) Investing Activities	**(1,316,528)**	-	**(3,078,598)**	-
(Decrease) increase in cash	**(1,158,147)**	(160,708)	**(4,093,502)**	1,930,780
Effects of foreign exchange on cash	**6,424**	(2,372)	**13,751**	(3,919)
Cash, beginning of period	**1,419,340**	2,696,636	**4,347,368**	606,695
Cash, end of period	**267,617**	2,533,556	**267,617**	2,533,556

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	**Amount**	**Shares to be Issued**	**Conversion Component of Convertible Debentures**	**Warrants**	**Share-Based Payments**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
	#	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, January 31, 2017	**31,846,115**	**4,838,430**	**-**	**8,824**	**907,417**	**31,175**	**(5,329,018)**	**-**	**456,828**
Issued for non-cash consideration:									
Issued for debenture interest	600,000	150,000	-	-	-	-	-	-	150,000
Warrants exercised (Note 14)	3,665	3,372	-	-	(74)	-	-	-	3,298
Stock-based compensation (Note 16)	-	-	-	-	-	40,185	-	-	40,185
Prior year adjustment	(600)	(179)	-	-	-	-	-	-	(179)
Exchange loss on translating foreign operation	-	-	-	-	-	-	-	(3,919)	(3,919)
Net loss for the period	-	-	-	-	-	-	(774,043)	-	(774,043)
Balance, October 31, 2017	**32,449,180**	**4,991,623**	**-**	**8,824**	**907,343**	**71,360**	**(6,103,061)**	**(3,919)**	**(127,830)**
Balance, January 31, 2018	**38,397,110**	**5,692,180**	**1,110,122**	**8,824**	**1,223,176**	**72,638**	**(7,921,030)**	**1,006**	**186,916**
Issued for cash consideration:									
Private placement (Note 14)	7,389,664	1,847,416	(855,516)	-	-	-	-	-	991,900
Warrants issued on private placement (Note 15)	-	(683,287)	-	-	683,287	-	-	-	-
Finders' warrants issued on private placement (Note 15)	-	-	-	-	70,196	-	-	-	70,196
Share issuance costs (Notes 14 and 15)	-	(127,551)	-	-	(74,901)	-	-	-	(202,452)
Warrants exercised (Note 14)	2,175,000	258,825	-	-	(41,325)	-	-	-	217,500
Options exercised (Note 14)	335,000	42,700	-	-	-	(9,200)	-	-	33,500
Issued for non-cash consideration:									
Issued for put-option agreement (Notes 14 and 20)	1,650,000	254,606	(254,606)	-	-	-	-	-	-
Issued for consulting fees (Note 14)	706,909	141,021	-	-	-	-	-	-	141,021
Issued on conversion of debentures (Notes 12 and 14)	12,000,000	3,350,060	-	-	-	-	-	-	3,350,060
Issued for debentures interest (Notes 12 and 13)	336,000	67,200	-	-	-	-	-	-	67,200
Equity component of convertible promissory note (Notes 12 and 13)	-	-	-	164,002	-	-	-	-	164,002
Warrants expired (Note 15)		28,292	-	-	(28,292)	-	-	-	-
Stock-based compensation (Note 16)	-	-	-	-	-	293,598	-	-	293,598
Exchange gain on translating foreign operation	-	-	-	-	-	-	-	26,244	26,244
Net loss for the period	-	-	-	-	-	-	(2,222,466)	-	(2,222,466)
Balance, October 31, 2018	**62,989,683**	**10,871,462**	**-**	**172,826**	**1,832,141**	**357,036**	**(10,143,496)**	**27,250**	**3,117,219**

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

1. NATURE OF OPERATIONS

Lineage Grow Company Ltd. (“Lineage” or the “Company”) is a cannabis company focused on assembling a portfolio of licensed operators, either through direct acquisition or through joint ventures, with an aim towards a vertically-integrated cannabis business that leverages best-in-class cultivation, brands, distribution, and retail assets. Lineage is targeting legalized cannabis markets across multiple jurisdictions in the United States (the “US”) and Canada, and is seeking to deploy best practices in cultivation, branding, distribution, and retail management to drive performance across the Company’s asset base. The Company’s common shares are listed on the Canadian Securities Exchange (the “CSE”) under the trading symbol “BUDD”.

The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

On September 26, 2018, the Company acquired 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. Through Terpene Station, the Company currently operates two retail dispensaries in the State of Oregon. See Note 4 for details.

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

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) accounting principles applicable to a going concern. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

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

In the US, 30 States, the District of Columbia, and the US territories of Guam and Puerto Rico allow the use of medical cannabis. Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and the District of Columbia had approved and legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970. 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 accepted safety for the use of the drug under medical supervision. As such, even in states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under US federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

There remains uncertainty with regard to the US federal government’s position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

The Company's unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended January 31, 2018.

These unaudited condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on December 20, 2018.

2.2 Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies in these financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended January 31, 2018, except as noted in Note 3.

2.3 Basis of Consolidation

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

The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

2.4 Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Business combination

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These preliminary valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Business combination (continued)

Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 – Financial Instruments ("IFRS 9") or IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Assets' carrying value and impairment charge

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period.

Intangible assets

Purchased intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Licenses and trade names have an indefinite useful life and are tested for impairment annually.

Impairment of non-financial assets

Non-financial assets include equipment and intangible assets. Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate and royalty rate.

Income, withholding and other taxes

The Company is subject to income, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

3.1 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:

IFRS 9 – Financial Instruments ("IFRS 9")

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.

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

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.

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

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.

3.2 Adopting of New Accounting Policies

Effective September 26, 2018, in conjunction with the closing of the Terpene Station Acquisition (see Note 4), the Company adopted the following significant policies:

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS (continued)

3.2 Adopting of New Accounting Policies (continued)

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has delivered the product to customers.

Equipment

Equipment are carried at cost less any residual value, accumulated amortization and impairment losses. Cost includes the acquisition or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When equipment includes significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. The residual value, useful life and amortization methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an equipment have different useful lives, they are accounted for as separate items of equipment. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Furniture and equipment	7 years
Machinery and equipment	5 years
Software	3 years
Leasehold improvements	Over the term of the lease

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the CGU or CGUs which are expected to benefit from the synergies of the combination.

Goodwill has an indefinite useful life that is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU.

Any impairment loss for goodwill is recognized directly in profit or loss and any impairment loss recognized for goodwill is not reversed in subsequent periods.

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS (continued)

3.2 Adopting of New Accounting Policies (continued)

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life, amortization method, and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Trade name	5 years
Proprietary data	5 years
Customer relationships	2 years
Licenses	Indefinite life
Goodwill	Indefinite life

3.3 Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on the Company's 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.

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.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITION

Terpene Station

On September 26, 2018, the Company acquired the assets of Terpene Station (the "Terpene Station Acquisition"). Terpene Station is an Oregon-based cannabis retailer engaged in the selling of cannabis products such as flower, edibles and oils. The Company determined that the Terpene Station Acquisition was a business combination in accordance to the definition of IFRS 3 – Business Combination, and as such, has accounted for it in accordance with this standard, with the Company being the accounting acquirer on the acquisition date of September 26.

Pursuant to the terms of the Asset Purchase Agreements between the Company and Terpene Station, the aggregate purchase price by the Company consisted of:

(i) A cash payment of USD $400,000; and

(ii) The issuance of a secured convertible promissory note in the principal amount of USD $800,000 convertible into common shares in the capital of Lineage at a price of $0.35 per share.

The following table sets forth a preliminary allocation of the purchase price to the assets acquired, based on a preliminary estimate of fair value. Final valuations of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment.

Purchase Price Consideration Paid	**$**
Cash	**519,000**
Promissory notes (Note 13)	**1,038,000**
	1,557,000

Net Identifiable Assets Acquired	**$**
Cash	**12,780**
Inventories	**118,445**
Prepaid expenses	**7,268**
Capital assets	**219,819**
Intangible assets	**259,500**
Goodwill	**939,188**
	1,557,000

5. HST RECEIVABLES

The Company's HST receivables arise from harmonized sales tax refunds and amounts due from government taxation authorities. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables, which are due in less than one year.

6. INVENTORIES

As at October 31, 2018, the Company's inventories consisted of finished goods located at the Terpene Station dispensaries. During the nine months ended September 30, 2018, inventories of $121,637 were expensed and included in cost of goods sold (2017 – $nil).

Inventories as at October 31, 2018 were recorded at cost.

(Expressed in Canadian Dollars)

7. PREPAID EXPENSES AND ADVANCES

As at October 31, 2018, prepaid expenses and advances consisted of the following:

	October 31, 2018	January 31, 2018
	$	$
Insurance and rent	**8,670**	1,493
Advances made to suppliers and consultants	**418,389**	30,111
Advances made to acquisitions targets (Note 20)	**1,182,780**	12,293
Others	**12,316**	74,384
	1,622,155	118,281

8. PROMISSORY NOTES RECEIVABLE

Altai Partners

On March 4, 2018, the Company entered into a promissory note agreement with Altai Partners, LLC ("Altai") for USD $250,000. The promissory note bears interest at a rate of 12% per annum and is payable in full on May 31, 2018. Interest starts accruing on April 30, 2018.

On March 23, 2018, the Company entered into a second promissory note agreement with Altai for USD $500,000. The promissory note also bears interest at a rate of 12% per annum and is payable in full on May 31, 2018. Interest starts accruing on April 30, 2018.

As at October 31, 2018, the promissory notes in the amounts of $985,650 (USD $750,000) (January 31, 2018 – $nil) in outstanding principal and $59,625 (USD $45,370) (January 31, 2018 – $nil) in accumulated interest are due. Under the terms of the Altai Acquisition, these promissory notes will become a loan to subsidiary after completion of the Altai Acquisition (see Note 20).

Walnut Oaks

On September 5, 2018, the Company entered into a promissory note agreement with the principal of Walnut Oaks, LLC ("Walnut Oaks") for an amount of USD $300,000. The promissory note is non-interest-bearing and is payable on December 31, 2018 or such other date as mutually agreed by the Company and Walnut Oaks.

(Expressed in Canadian Dollars)

9. EQUIPMENT

	Furniture and fixtures	Machinery and equipment	Software	Leasehold improvement	Total
	$	$	$	$	**$**
Cost at:					
January 31, 2018	-	-	-	-	**-**
Additions	20,359	29,899	858	168,703	**219,819**
Effects of movements in foreign exchange rates	262	385	11	2,171	**2,829**
October 31, 2018	20,621	30,284	869	170,874	**222,648**
Accumulated amortization at:					
January 31, 2018	-	-	-	-	**-**
Amortization	499	999	48	2,456	**4,002**
Effects of movements in foreign exchange rates	5	10	1	25	**41**
October 31, 2018	504	1,009	49	2,481	**4,043**
Net book value:					
January 31, 2018	-	-	-	-	**-**
October 31, 2018	20,117	29,275	820	168,393	**218,605**

10. INTANGIBLE ASSETS AND GOODWILL

	Licenses	Goodwill	Total
	$	$	**$**
Cost at:			
January 31, 2018	-	-	**-**
Additions	259,000	939,188	**1,198,188**
Effects of movements in foreign exchange rates	16,325	12,088	**28,413**
October 31, 2018	275,325	951,276	**1,226,601**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	October 31, 2018	January 31, 2018
	$	$
Less than 90 days	**417,836**	388,938
Greater than 90 days	**71,045**	275,253
	488,881	664,191

12. CONVERTIBLE DEBENTURES

SIDEX Debentures

On September 16, 2014, the Company closed a non-brokered private placement of an unsecured convertible debenture under SIDEX's program "Field Action 2014" (the "SIDEX Debentures") for gross proceeds of $50,000. The SIDEX Debentures matured 2 years from the closing date. As an incentive for purchasing these debentures, the Company issued 333,333 warrants on closing. Each warrant was exercisable into common shares of the Company at a price of $0.15 per share for the first year and $0.30 per share in the second year from the closing date and had a value of $19,293. These warrants expired on September 16, 2016.

On September 16, 2016, the Company extended the maturity date of the SIDEX Debentures until September 17, 2017. These SIDEX debentures were issued at face value and were convertible, at the option of the holder, at any time prior to the maturity date, into common shares of the Company at a conversion price equal to $0.30 per share from September 17, 2016 until September 16, 2017. The rate of interest on the SIDEX Debentures is 12% per annum, to be accrued until and payable on the maturity date.

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

The SIDEX Debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than face value. The discount is being accreted over the term of the debentures utilizing the effective interest method at a 28.6% discount rate.

Convertible Debentures

On May 12, 2017, the Company closed a brokered private placement offering of convertible debentures (the "Convertible Debentures") of 2,500 units for gross proceeds of $2,500,000. The offering is in accordance with the proposed transaction with Nutritional High International Inc. ("NHII") regarding the building of cannabis cultivation facilities in the states of Nevada and Colorado. The issue price of each unit was $1,000 and consisted of:

(i) $1,000 principal amount of 12.0% convertible secured redeemable debentures; and

(ii) 4,000 warrants exercisable into common shares of the Company at a price of $0.325 for a period of 24 months.

The Convertible Debentures rank pari passu and mature 24 months from the closing date and are convertible at the option of the debenture holders at any time prior to the maturity date into common shares of the Company at a conversion price of $0.25 per share. The Convertible Debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance. The Company may elect to satisfy its obligation to pay interest on the Convertible Debentures by issuing common shares to the debenture holders at a price of $0.25 per common share.

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

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES (continued)

Amendments to Convertible Debentures

Restated Escrow Agreement

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

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

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

(iii) Closing of the Company's Terpene Station 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 Station Acquisition; and

(v) The Company has completed an equity financing.

On October 31, 2018, the Company had been released from the escrow conditions upon closing of the Terpene Station Acquisition (see Note 4) and the effective termination of the Mt. Baker Agreements (see Note 22).

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of a 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 reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures.

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

During the nine months ended October 31, 2018, 2,400 units of the Convertible Debentures were converted into 12,000,000 common shares of the Company, at the adjusted conversion price of $0.20 (see Note 14 for details).

The following table reflects the changes to the Convertible Debentures for the nine months ended October 31, 2018:

	$
Balance, January 31, 2017	**52,316**
Issuance of Convertible Debentures	2,500,000
Transaction costs relating to convertible debentures – cash	(254,287)
Estimated fair value of derivative liability on date of issuance	(149,079)
Estimated valuation of warrant liability on date of issuance	(134,140)
Interest and accretion expense	152,053
Balance, January 31, 2018	**2,166,863**
Interest and accretion expense	131,037
Conversion of debentures	(2,150,350)
Balance, October 31, 2018	**147,550**

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES (continued)

The changes to the embedded derivative liabilities are as follows:

	$
Balance, January 31, 2018	**1,510,831**
Derecognition of derivative liabilities on conversion	(1,199,710)
Estimated fair value changes of derivative liabilities during the period	(133,428)
Balance, October 31, 2018	**177,693**

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

	October 31, 2018	January 31, 2018
Valuation date share price	$0.165	$0.154
Conversion price	$0.20	$0.20
Exercise price	$0.25	$0.325
Expected remaining life	0.53 years	1.28 years
Volatility (1)	80%	131%
Risk-free interest rate	1.88%	1.61%

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

13. NOTE PAYABLE

On August 29, 2018, as part of the consideration paid for the Terpene Station Acquisition, the Company issued secured convertible promissory notes (the "Notes") to the seller in the principal amount of USD $800,000. The Notes are convertible at the option of the seller, at a share price of $0.35. Interest will accrue on the principal amount at 12% per annum until the earlier of (1) repayment in full of the Notes or (2) on conversion.

The Company will pay the principal amount of USD $800,000 and all accrued and unpaid interest, as follows:

(i) USD $150,000 on the first anniversary of the Notes ("First Payment Due Date"), if the Conversion Option is not exercised 30 days before the First Payment Due Date;
(ii) USD $150,000 on the second anniversary of the Notes ("Second Payment Due Date"), if the Conversion Option is not exercised 30 days before the Second Payment Due Date; and
(iii) the balance on the three (3) year anniversary of the Notes, if the Conversion Option is not exercised 30 days before the three (3) year anniversary of the Notes.

14. SHARE CAPITAL

Authorized share capital

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

	October 31, 2018	January 31, 2018
	$	$
Issued: 62,989,683 common shares (January 31, 2018 – 38,397,110)	**10,871,462**	5,692,180

14. SHARE CAPITAL (continued)

Share capital transactions for the nine months ended October 31, 2018

On February 8, 2018, the Company closed the second tranche ("Tranche 2") of the Concurrent Financing, consisting of 3,442,064 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, as disclosed in Note 15. In conjunction with the brokered private placement, the Company paid finders' fee of $62,900 and issued 251,600 finders' warrants (see Note 15).

On February 14, 2018, the Company closed the third tranche ("Tranche 3") of the Concurrent 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 the closing date, as disclosed in Note 15. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,800 and issued 75,200 finders' warrants (see Note 15).

On February 16, 2018, the Company closed the fourth and last tranche ("Tranche 4") of the Concurrent 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, as disclosed in Note 12. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,000 and issued 72,000 finders' warrants (see Note 15).

On closing of Tranches 2 to 4 of the Concurrent Financing, proceeds of $855,516 previously received by the Company in relation to subscription funds, were reallocated to share capital.

On March 7, 2018, the Company issued 1,650,000 common shares to NHII as partial consideration for its introduction of Mt. Baker, and for entering into the Put Option Agreement. The common shares were valued at $254,606 (see Note 20).

On March 7, 2018, the Company issued 320,000 common shares to FMI Capital Advisory Inc. ("FMICA") as compensation for consulting services in relation to the closing of the private placement financing. The common shares were valued at $80,000, based on the fair value of the services received. The fair value of these common shares has been expensed as share-based payments in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

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. These common shares were valued at $67,500 based on the Company's most recently completed financing at the time.

On October 30, 2018, the Company issued 386,909 common shares to FMICA as finder's fee in connection with the closing of the Terpene Station Acquisition. The common shares were valued at $61,021, based on the Company's most recently completed financing at the time. The fair value of these common shares has been expensed as share-based payments in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

During the nine months ended October 31, 2018, the Company issued 12,000,000 common shares as a result of the conversion of 2,400 units of Convertible Debentures at the adjusted conversion price of $0.20 (see Note 12).

During the nine months ended October 31, 2018, 2,175,000 common shares were issued as a result of the exercise of 2,175,000 warrants for total cash proceeds of $217,500. All issued shares are fully paid.

During the nine months ended October 31, 2018, 335,000 common shares were issued as a result of the exercise of 335,000 options for total cash proceeds of $33,500. All issued shares are fully paid.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

Share capital transactions for the nine months ended October 31, 2017

On May 12, 2017, the Company issued 600,000 common shares at a price of $0.25 per common share, to satisfy the first semi-annual interest payment for the Convertible Debentures. These common shares were valued at $150,000 based on the Company's most recently completed financing at the time (see Note 12).

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

15. RESERVE FOR WARRANTS

The following table summarizes the warrant activities for the nine months ended October 31, 2018 and 2017:

	October 31, 2018		October 31, 2017	
	Number of warrants outstanding	**Weighted average exercise price**	Number of warrants outstanding	Weighted average exercise price
	#	**$**	#	$
Balance, beginning of period	**27,539,753**	**0.25**	14,643,514	0.17
Issued	**7,389,664**	**0.325**	10,000,000	0.325
Issued	**398,800**	**0.25**	400,000	0.25
Exercised	**(2,175,000)**	**0.10**	(3,665)	0.30
Expired	**(488,811)**	**1.20**	(2,019,296)	0.30
Balance, end of period	**32,664,406**	**0.24**	23,020,553	0.23

Warrants issuance for the nine months ended October 31, 2018

In conjunction with Tranche 2 of the Concurrent Financing which closed on February 8, 2018, the Company issued 3,442,064 warrants at an exercise price of $0.325 per share for a period of 24 months after the closing date. In addition, the Company also issued 251,600 finders' warrants which entitle the holder to purchase one unit at a price of $0.25 per unit, exercisable until February 8, 2020.

In conjunction with Tranche 3 of the Concurrent Financing which closed on February 14, 2018, the Company issued 3,047,600 warrants at an exercise price of $0.325 per share for a period of 24 months after closing. The Company also issued 75,200 finders' warrants which entitle holder to purchase one unit at a price of $0.25 per unit, exercisable until February 14, 2020.

In conjunction with Tranche 4 of the Concurrent Financing which closed on February 16, 2018, the Company issued 900,000 warrants at an exercise price of $0.325 per share for a period of 24 months after closing. The Company also issued 72,000 finders' warrants which entitle holder to purchase one unit at a price of $0.25 per unit, exercisable until February 16, 2020.

Warrants issuance for the nine months ended October 31, 2017

On May 12, 2017, in conjunction with the Convertible Debentures offering, the Company issued 10,000,000 warrants at an exercise price of $0.325 per share and 400,000 broker warrants at an exercise price of $0.25 per share.

(Expressed in Canadian Dollars)

15. RESERVE FOR WARRANTS (continued)

The Company used the Black-Scholes valuation model to estimate the fair value of the warrants issued during the nine months ended October 31, 2018, based on the following assumptions:

Issuance date	**February 8, 2018**	**February 14, 2018**	**February 16, 2018**
Number of warrants	3,442,065	3,047,600	900,000
Exercise price	$0.325	$0.325	$0.325
Expected life of warrants	2 years	2 years	2 years
Expected volatility (1)	146%	146%	146%
Risk-free interest rate	1.83%	1.82%	1.82%
Fair value	$318,656	$281,522	$83,109

Issuance date	**February 8, 2018**	**February 14, 2018**	**February 16, 2018**
Number of finders' warrants	251,000	75,200	72,000
Exercise price	$0.25	$0.25	$0.25
Expected life of warrants	2 years	2 years	2 years
Expected volatility (1)	146%	146%	146%
Risk-free interest rate	1.83%	1.82%	1.82%
Fair value	$44,328	$13,218	$12,651

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

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

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining life**
	#	**$**	**Years**
November 16, 2018 (2)	2,050,000	0.10	0.04
December 9, 2018 (2)	6,175,000	0.10	0.11
December 12, 2018 (2)	798,409	0.10	0.12
March 16, 2019	333,333	0.20	0.37
May 12, 2019	10,000,000	0.25	0.53
May 12, 2019	400,000	0.25	0.53
January 24, 2020	4,740,000	0.325	1.23
January 24, 2020	379,200	0.25	1.23
February 8, 2020	3,442,064	0.325	1.27
February 8, 2020	251,600	0.25	1.27
February 14, 2020	3,047,600	0.325	1.29
February 14, 2020	75,200	0.25	1.29
February 16, 2020	900,000	0.325	1.30
February 16, 2020	72,000	0.25	1.30
	32,664,406	**0.23**	**0.91**

(2) On November 10, 2017, the Company extended the terms of warrants previously issued pursuant to private placements on November 16, 2016 and December 9, 2016, as well as a debt settlement on December 12, 2016. For all unexercised warrants by their original expiry date, the expiry was extended for a further 12-month period, to November 16, 2018, December 9, 2018 and December 12, 2018, respectively.

(Expressed in Canadian Dollars)

16. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the aggregate number of shares outstanding. As at October 31, 2018, the Company has 1,023,968 common shares that are issuable under the Plan. The exercise price and vesting terms are determined by the Board of Directors.

Options grants for the nine months ended October 31, 2018

On May 24, 2018, the Company granted 1,875,000 stock options to various 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 quarter until fully vested.

On August 3, 2018, the Company granted 20,000 stock options to a consultant. The options are exercisable for $0.25 per share and will expire on August 3, 2023. The options vest 1/3 every six months from the grant date, until fully vested.

Options grants for the nine months ended October 31, 2017

During the nine months ended October 31, 2017, there were no options transactions.

The Company used the Black-Scholes valuation model to estimate the fair value of the options granted during the nine months ended October 31, 2018, based on the following assumptions:

Grant date	**May 24, 2018**	**August 3, 2018**
Number of options	2,675,000	20,000
Exercise price	$0.25	$0.25
Expected life of options	5 years	5 years
Expected volatility (1)	146%	142%
Risk-free interest rate	2.23%	2.25%
Fair value	$463,721	$3,335

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

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

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining life**
	#	**#**	**$**	**Years**
December 12, 2021	2,120,000	1,330,000	0.10	3.12
December 12, 2021	460,000	460,000	0.10	3.12
May 24, 2023	2,675,000	712,500	0.25	4.56
August 3, 2023	20,000	-	0.25	4.76
	5,275,000	**2,502,500**	**0.17**	**4.07**

17. 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, Lineage and FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, the Chief Executive Officer ("CEO") and Director of the Company, is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp., 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 nine months ended October 31, 2018, the Company was charged $176,333 (2017 – $108,000) for consulting services provided by FMICA. As at October 31, 2018, an amount of $13,560 (January 31, 2018 – 87,033) owing to FMICA was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the nine months ended October 31, 2018, the Company recorded fees of $225,125 (2017 – $48,000), including a bonus of $150,000 (2017 – $nil) paid upon the Company securing its listing on the CSE, included in management and consulting fees, for services rendered by the former CEO to the Company. As at October 31, 2018, no balance was owed to the former CEO (January 31, 2018 – $80,825; included in accounts payable and accrued liabilities).

Upon closing of the private placement financing in February 2018, the Company and Branson Corporate Services Inc. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, amended the management services agreement, providing for CFO services to Lineage, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay a monthly fee of $8,000. During the nine months ended October 31, 2018, the Company was charged $86,605 (2017 – $45,000) for services provided by Branson. As at October 31, 2018, an amount of $16,165 (January 31, 2018 – $15,000) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the nine months ended October 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $184,651 (2017 – $85,200) of legal services to the Company, which are included in professional fees. As at October 31, 2018, an amount of $179,889 (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 nine months ended October 31, 2018, officers and directors of the Company received stock-based compensation of $171,300 (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 Concurrent Financings which closed in February 2018, as disclosed in Note 14. 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.

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

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

Agreements with related parties (continued)

Effective April 17, 2018, Lineage 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. During the nine months ended October 31, 2018, the CEO was paid $64,720 (2017 – $nil) for CEO consulting services provided to the Company, which are included in management and consulting fees. As at October 31, 2018, an amount of $14,636 (January 31, 2018 – $nil) owing to the CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Effective June 20, 2018, Lineage and Steve Peterson, the Vice President of Retail ("VP of Retail") entered into a consulting agreement, providing for consulting services to the Company. Fees of USD $6,000 are payable on a monthly basis from the effective date. During the nine months ended October 31, 2018, the VP of Retail was paid $23,299 (2017 – $nil) for consulting services provided to the Company, which are included in management and consulting fees. As at October 31, 2018, an amount of $18,387 (January 31, 2018 – $nil) owing to the VP of Retail was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On October 30, 2018, the Company issued 386,909 common shares to FMICA as finder's fee in connection with the closing of the Terpene Station Acquisition.

Subscriptions by related parties

During the nine months ended October 31, 2018, directors and officers of the Company had subscribed a total of 920,000 units, for proceeds of $230,000, from Tranche 3 of Concurrent Financing which closed on February 14, 2018.

Note payable issued to related parties

On September 24, 2018, the Company received an advance of USD $150,000 in the form of a promissory note agreement with Adam Szweras. The promissory note bears interest at a rate of 10% per annum and is due on demand. As at October 31, 2018, a balance of $197,130 (USD $150,000) (January 31, 2018 – $nil) in outstanding principal and $2,171 (USD $1,652) (January 31, 2018 – $nil) in accumulated interest were owed by the Company.

18. CAPITAL RISK MANAGEMENT

The Company's objective in managing its capital structure is to ensure the entity continues as a going concern as well as to maintain optimal returns and benefits to shareholders and other stakeholders. The Company monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current business and industry outlook 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 management team's expertise to sustain 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 October 31, 2018, the Company's capital consists of share capital, conversion component of convertible debentures and promissory notes, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $3,117,219 (January 31, 2018 – $186,916).

18. CAPITAL RISK MANAGEMENT (continued)

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 nine months ended October 31, 2018 and the year ended January 31, 2018.

The Company is not subject to externally imposed capital requirements.

19. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, trade receivables, promissory notes receivable, 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. The fair values of the embedded derivative liabilities were estimated based on the assumptions disclosed in Note 12.

Fair value hierarchy

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

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

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

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 and promissory notes receivable balances.

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 October 31, 2018, the Company had a cash balance of $267,617 (January 31, 2018 – $4,347,368) to settle current liabilities of $1,013,425 (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 as at period-end.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company's main operations are based in the US, where the majority of transactions are incurred in USD. The Company's primary exposure to foreign exchange risk is that transactions denominated in USD may expose the Company to the risk of exchange rate fluctuations.

20. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration and evaluation activities are subject to various 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.

Nutritional High International Inc.

On January 22, 2018, the Company and NHII entered into an amended and restated letter of intent ("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.

(iv) 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 shares to be issued 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 to NHII (see Note 14).

20. COMMITMENTS AND CONTINGENCIES (continued)

Nutritional High International Inc. (continued)

Put Option Agreement

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.

As at October 31, 2018, the Company was in compliance with the Put Option Agreement, as none of the aforementioned triggering events had occurred.

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership (the "Washington Agreement") 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.

Subsequent to October 31, 2018, the Company terminated the Mt. Baker Agreements. See Note 22.

Altai Partners

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

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 (see Note 8). This note will become a loan to subsidiary after completion of the Altai Acquisition; and

20. COMMITMENTS AND CONTINGENCIES (continued)

Altai Partners (continued)

(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 each, beginning April 28, 2018 and ending December 30, 2018.

During the nine months ended October 31, 2018, the Company had made total advances of $1,182,780, comprised of three separate cash payments of USD $300,000 to Altai (see Note 7).

During the nine months ended October 31, 2018, the Company had also lent Altai funds of USD $750,000 in the form of promissory notes (see Note 8).

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

Walnut Oaks

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

During the nine months ended October 31, 2018, the Company had lent $394,260 (USD $300,000) to Walnut Oaks in the form of a promissory note (see Note 8).

Subsequent to October 31, 2018, the Company and Walnut Oaks entered into a definitive agreement, and a promissory note agreement for USD $1,500,000 (see Note 22 for details).

The Walnut Oaks 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 approval.

Harborside

On August 12, 2018, the Company and FLRish Inc., a California corporation d/b/a Harborside ("Harborside"), entered into a letter agreement pursuant to which Harborside will effect a reverse takeover transaction that will result in Lineage acquiring all of the issued and outstanding securities of Harborside in exchange for newly issued common shares of Lineage (the "Harborside Transaction"). Under the terms of the Harborside Transaction, 100% of the outstanding securities of Harborside shall be exchanged for Lineage securities at a deemed price of $0.165, and the final number of Lineage shares issued in exchange for the outstanding Harborside securities shall be determined at the time the Harborside Transaction closes and will be subject to adjustments based on the anticipated Harborside securities offering and additional near-term acquisitions.

The Harborside Transaction is subject to satisfaction or waiver of terms and conditions, customary or otherwise, including 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.

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION

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

Statement of Financial Position	Canada	US	Total
	$	$	$
Current assets	3,110,570	494,945	3,605,515
Non-current assets	-	1,445,206	1,445,206
Total Assets	**3,110,570**	**1,940,151**	**5,050,721**
Current liabilities	934,158	79,267	1,013,425
Long-term liabilities	-	920,077	920,077
Total Liabilities	**934,158**	**999,344**	**1,933,502**

Statement of Loss	Canada	US	Total
	$	$	$
Revenue	-	191,238	191,238
Cost of goods sold	-	(121,637)	(121,637)
Operating expenses	(1,755,657)	(429,188)	(2,184,845)
Other expenses	(72,751)	(34,471)	(107,222)
Net Loss	**(1,828,408)**	**(394,058)**	**(2,222,466)**

22. SUBSEQUENT EVENTS

Shares, warrants and options transactions

Subsequent to October 31, 2018, 9,023,409 common shares were issued as a result of the exercise of 9,023,409 warrants for total cash proceeds of $902,341. All issued shares are fully paid.

Subsequent to October 31, 2018, 185,820 warrants expired unexercised.

Subsequent to October 31, 2018, 2,245,000 common shares were issued as a result of the exercise of 2,245,000 options for total cash proceeds of $224,500. All issued shares are fully paid.

Subsequent to October 31, 2018, 500,000 common shares were issued as a result of the conversion of the remaining 100 units of Convertible Debentures at the adjusted conversion price of $0.20.

On December 14, 2018, upon accelerated vesting and the full exercise of the aforementioned options at $0.10 by directors and officers, the Company granted 3,000,000 stock options to its officers and directors, as well as various consultants. The options are exercisable for $0.165 per share and will expire on December 14, 2023. All options vested immediately on grant. On December 17, 2018, Peter Bilodeau exercised 166,667 of his options for total cash proceeds of $27,500.

Bridge Loan from Harborside

On November 16, 2018, Lineage issued a promissory note to Harborside in the principal amount of $2,000,000 as a Bridge Loan. The note is unsecured, and bears in interest at 12% per annum, or 18% per annum if the Bridge Loan is in default. The Bridge Loan is repayable at the earlier of (a) November 16, 2019, or (b) if the proposed reverse takeover transaction between Lineage and Harborside is terminated, the date that is six months after the date of termination. The proceeds of the Bridge Loan are expected to be used by Lineage to subscribe for Agris Farms membership units as set out below.

22. SUBSEQUENT EVENTS

Walnut Oaks

On November 20, 2018, the Company, through its wholly-owned subsidiary Lineage GCL California, LLC, entered into a Membership Interest Purchase Agreement with Walnut Oaks (the “Agris Agreement”) to acquire membership interests in Walnut Oaks (the “Agris Farms Acquisition”). Pursuant to the Agris Agreement, Lineage would acquire a 100% ownership interest in Agris Farms facility.

The aggregate purchase price payable under the Agris Farms Acquisition is as follows:

(a) USD $6,600,000 payable on closing, comprised of:

  (i) an amount of USD $2,148,880 payable by the issuance of Lineage common shares at a price of $0.165 per share;

  (ii) the assumption of liabilities in the aggregate amount of USD $2,951,120; and

  (iii) the provision of a put option by Lineage in favor of the holder of a USD $1,500,000 subordinated note where the note holder can choose to convert the subordinate note into a Lineage convertible note convertible into a unit of one Lineage common share and one half of a warrant with a conversion price of $0.19 per share and a warrant exercise price of $0.25 per share.

(b) The sellers may also be entitled to receive an earn-out payment equal to six times of any EBITDA in excess of USD $1.1 million during the period of May 1, 2018 to April 30, 2019.

Closing of the Agris Farms Acquisition is subject to various conditions, including the approval of Yolo County for the transfer of Agris Farms membership units to Lineage.

On November 23, 2018, the Company entered into a promissory note agreement with Walnut Oaks for USD $1,500,000. The promissory note bears interest at a rate of 7% per annum and is payable in full on November 23, 2021, or at such earlier date at the option of Lineage.

Mt. Baker

On November 26, 2018, the Company terminated the Mt. Baker Agreements dated January 31, 2018 with Mt. Baker. The Mt. Baker Agreements would have allowed Lineage to assist Mt. Baker in maximizing the efficiency of its cultivation operations at Mt. Baker’s facility in the State of Washington. Lineage notified Mt. Baker of the termination of the Agreements effective as of October 31, 2018.

Herbiculture

On November 30, 2018, the Company and Quinsam Capital Corporation (“Quinsam”) entered into an agreement to terminate the LOI previously entered whereby Lineage would acquire Quinsam’s right to a 35% equity stake in Herbiculture Inc. (the “Herbiculture LOI”). As compensation for terminating the Herbiculture LOI, the Company paid Quinsam a termination fee of $38,000 on December 5, 2018, through the issuance of 200,000 common shares at $0.19.