NOTICE TO READER

The Audit Committee, in consultation with management of the Company, has determined that the Company's previously filed management's discussion and analysis for the nine months ended October 31, 2018 requires restating to correct the effective date, as indicated in the first paragraph on page 1 thereof.

The previously filed management's discussion and analysis for the financial period ended October 31, 2018 indicated an effective date of October 31, 2018. The revised management's discussion and analysis filed today inculdes an effective date of December 20, 2018, and replaces and supersedes the respective previously filed original management's discussion and analysis.

There have been no other changes. This notice supersedes the previously filed version.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2018

December 20, 2018

The following Management's Discussion and Analysis ("MD&A") is effective December 20, 2018, and constitutes management's assessment of the factors that affected the financial and operating performance of Lineage Grow Company Ltd. ("Lineage" or the "Company") for the three and nine months ended October 31, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended October 31, 2018, as well as the Company's audited consolidated financial statements and related notes for the year ended January 31, 2018. The Company's unaudited condensed interim consolidated financial statements for the three and nine months ended October 31, 2018 and the financial information contained in this MD&A are prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting, based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are in Canadian dollars ("$" or "CAD") unless stated otherwise.

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

Description of Business

Lineage is 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 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 currently operates two retail dispensaries in the State of Oregon under the "Terpene Station" banner with locations in southeast Portland and downtown Eugene. Terpene Station is a leading cannabis retailer in Oregon engaged in the marketing and sale of cannabis flower, edibles, and oils.

The Company has also entered into agreements to acquire Walnut Oaks, LLC d/b/a Agris Farms ("Walnut Oaks") which operates a fully-operational and licensed 43,500 sq. ft. cannabis cultivation facility in Yolo County, California as well as Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary ("LUX"), which operates one of 16 licensed cannabis retail dispensaries in San Jose. See Proposed Transactions for details.

The Company's common shares are currently listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "BUDD".

As at December 20, 2018, members of the Company's management team and Board of Directors consisted of:

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

Recent Developments

On February 28, 2018, Lineage received its listing approval from the CSE, and the Company's common shares began trading on March 5, 2018.

On March 6, 2018, the Company entered into a letter of intent ("LOI") to acquire a 100% interest in Altai Partners, LLC ("Altai"), a limited liability company operating out of California (the "Altai Acquisition"). Altai currently has an agreement in place for a 45% interest in LUX. On April 3, 2018, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX. See Proposed Transactions for details.

On April 17, 2018, Peter Bilodeau was appointed President and Chief Executive Officer ("CEO") of Lineage, replacing David Drutz.

On June 12, 2018, the Company entered into an agreed term sheet (the "Agreement") to acquire Walnut Oaks. 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.

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"). Trading in Lineage shares has been halted because of this announcement and will remain so until resumption of trading will be approved by the CSE. See Proposed Transactions for details.

On September 26, 2018, the Company acquired the assets of Terpene Station (the "Terpene Station Acquisition"). On closing, Licenses issued from the Oregon Liquor Control Commission (the "OLCC") were transferred to the Company's wholly-owned subsidiaries' names in Oregon.

On November 20, 2018, the Company entered into a Membership Interest Purchase Agreement with Walnut Oaks (the "Agris Agreement"), agreeing to acquire the full 100% membership interests in Walnut Oaks (the "Agris Farms Acquisition"). See Proposed Transactions for details.

On November 26, 2018, the Company terminated the Mt. Baker Agreements dated January 31, 2018, which 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 was saddened to learn that the managing member of Mt. Baker passed away in mid-2018. Accordingly, the event makes it improbable for Mt. Baker to perform its obligations under the Agreements. Lineage notified Mt. Baker of the termination of the Agreements effective as of October 31, 2018.

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").

Financing Developments

Private Placement Financing

On February 8, 2018, the Company closed the second tranche of the Concurrent Financing – of which the first tranche closed in January 2018 – which consisted of 3,442,065 units at a price of $0.25 per unit, for gross proceeds of $860,516. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date. In conjunction with the brokered private placement, the Company paid finders' fee of $62,900 and issued 251,600 finders' warrants.

On February 14, 2018, the Company closed the third tranche of 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 closing. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,800 and issued 75,200 finders' warrants.

On February 16, 2018, the Company closed the fourth and last tranche of 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. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,000 and issued 72,000 finders' warrants.

Other Financing Activities

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.

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.

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.

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;
- 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; and
- 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 November 16, 2018, Lineage issued a promissory note to Harborside in the principal amount of $2,000,000 as a Bridge Loan. The proceeds of the Bridge Loan are expected to be used by Lineage in the Agris Farms Acquisition.

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.

Outlook and Growth Strategy

Lineage currently operates two cannabis retail dispensaries in Oregon and has entered into agreements to purchase additional cannabis retail and cultivation assets located in San Jose and Yolo County, respectively, in California. Lineage is targeting the US cannabis market with an acquisition-focused growth strategy, and it believes that the US cannabis market offers an attractive pool of private cannabis operators with whom the Company can seek to acquire or partner with.

The market for cannabis products is rapidly evolving and many participants continue to enter the market. Many of the Company's competitors in Oregon have experienced downward price pressure as there is an overflow of players entering the cannabis retail space. Consumer preference is ever-evolving and focused on more sophisticated products, such as high-quality oils and edibles. The Company continues to develop expertise to retail and market cannabis products with a scalable methodology that focuses on controlling its supply chain and lowering its cost of goods as the market matures. Low entry barriers for the Oregon cannabis industry had led to oversupply, with state prices falling at a rate of a 50% annualized price decrease since 2016. According to the Oregon-Idaho High Intensity Drug Trafficking Area's *Initial Assessment of Cannabis Production, Distribution, and Consumption in Oregon 2018 – An Insight Report* published in August 2018, as of 2018, only 31% of available cannabis inventory was distributed, putting a strain on cannabis cultivators.

In response to Oregon's oversupplied recreational marijuana market and a backlog of applications, state regulators had temporarily discontinued processing new adult-use licenses effective June 15, 2018. The temporary suspension of new license applications enhances the value of the OLCC Licenses held by the Company. Lineage had also taken on initiatives to protect itself from any potentially adverse impact of cannabis price contraction in Oregon by diversifying into other geographic markets, including California.

Overall, the US cannabis market is ripe with opportunity for an aggressive roll-up strategy, and remains fragmented with many fast-growing but undercapitalized companies seeking value-added financial partners. Valuations of cannabis assets had seen a decline as stand-alone entities have fewer sources of capital to compete with other big players from the industry. Therefore, Lineage has capitalized on this opportunity by assembling a portfolio of operating companies at accretive valuations with attractive fundamentals.

To date, the Company has assembled the following portfolio of projects and acquisitions:

State of Oregon – Terpene Station

Through the Terpene Station Acquisition, Lineage has acquired and now operates two retail cannabis dispensaries under the "Terpene Station" banner in Oregon. The Terpene Station retail dispensaries are engaged in the marketing and sale of cannabis flower, edibles, and oil derivative products. The Terpene Station Acquisition was entered into with a view towards establishing operations focused on serving the premium quality segment of the cannabis market in Oregon, where Lineage's objective is to establish a leading cannabis company by retailing premium quality cannabis branded products. The acquisition of the two dispensaries is in line with this objective and puts the Company in an advantageous position when structuring transactions to acquire cultivation operations up the value chain.

State of California – Altai Acquisition

The Altai Acquisition aligns with the Company's growth strategy through acquisitions and strategic partnerships, and it provides Lineage an opportunity to establish a footprint in the growing California retail market, as Altai currently holds 4 licenses including Retail, Cultivation, Extraction, and Delivery through LUX.

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

State of California – Walnut Oaks Acquisition

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

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

State of California – Harborside Transaction

Under the Harborside Transaction, Lineage will join forces with Harborside, which operates two flagship dispensaries in the Bay Area, a cultivation facility in Salinas, California, and owns the Harborside brand. This transaction will allow Lineage to gain access to the necessary resources to fulfill management's vision for California's most trusted, vertically-integrated cannabis company focused on high margin retail and branded product sales channels.

As the fully regulated California market unfolds, management of Lineage and Harborside both 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 well positioned. Lineage believes that the Harborside Transaction accretes significant value for all parties involved, and that Harborside is a natural fit with the Company given the companies' shared focus on the California cannabis market and specifically high value segments within it such as retail and branded products.

The Harborside Transaction is advancing with execution of a definitive agreement anticipated in the near short-term. Following completion of the Harborside Transaction, the resulting issuer is expected to operate under the name "Harborside, Inc.".

Canadian Companies with U.S. Marijuana-Related Assets

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

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

At this time, the Company's involvement in the US cannabis industry is "Direct" through the acquisition of the two Terpene Station retail cannabis dispensaries, while the involvement is "Indirect" through its proposed acquisitions of entities operating in the US cannabis industry (the "Acquisition Targets"). As a result of the Company's current operations and proposed acquisitions in the US (as described below), the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the US

The Company has obtained legal advises regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal law in the states where its retails dispensaries and Acquisition Targets conduct operations. As of December 20, 2018, the Company has not received any notices of violation, denial or non-compliance from any US authorities.

Nature of Subsidiaries and Acquisition Targets with US Cannabis-Related Activities

Terpene Station

Terpene Station operates as a cannabis retailer in the State of Oregon, and is engaged in the selling of cannabis products such as flower, edibles and oil derivative products, through retail space of more than 5,500 sq. ft. across two locations in southeast Portland and downtown Eugene. The Portland location was the first licensed recreational store in the state and both locations are recognized for their premium product offerings and track record of serving the craft segment of the Oregon cannabis market. The Company completed transfer of the OLCC Licenses to its name upon closing of the Terpene Station Acquisition, which offers an existing base of revenue-generating assets positioned in the adult-use market. The Company has since centralized purchasing decisions for the two dispensaries to improve margins, and has also upgraded the store locations in order to increase sales.

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, which held and agreement to acquire a minimum of 45% ownership interest in LUX. LUX operates as a cannabis retailer in the State of California engaged in the selling of cannabis products such as flower, edibles and oil derivative products. Concurrent to its agreement acquiring a 45% ownership interest in LUX, on April 3, 2018, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. LUX currently holds 4 licenses including Retail, Cultivation, Extraction, and Delivery. In the near-term, the Company intends to commence development of a cannabis delivery service for LUX's various product offerings and is currently engaged in discussions with multiple parties with a view towards establishing a dominant cannabis delivery business.

Walnut Oaks

On June 12, 2018, the Company entered into the Agreement to acquire California-based Walnut Oaks, LLC d/b/a Agris Farms ("Agris Farms"). Agris Farms operates a fully-licensed and fully-operational 43,500 sq. ft. greenhouse cannabis cultivation facility in Yolo County, California. The Yolo Grow is in commercial production with annual production capacity of 6,000 lbs. of premium quality craft cannabis.

On November 20, 2018, the Company entered into the Agris Agreement to complete the Agris Farms Acquisition. Pursuant to the Agris Agreement, Lineage would acquire a 100% ownership interest in Agris Farms facility.

Harborside

On August 12, 2018, Lineage and Harborside entered into a binding letter agreement to implement the Harborside Transaction valued at approximately $200 million. Harborside, among other things, operates two flagship dispensaries in the Bay Area, a cultivation facility in Salinas, California, and owns the Harborside brand. 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 US. 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.

Regulatory Overview

US Federal Law

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

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

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

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

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

On November 14, 2017, Jeff Sessions, the US Attorney General, made a comment before the House Judiciary Committee about prosecutorial forbearance regarding state-licensed marijuana businesses. In his statement, Attorney General Sessions stated that the US Federal Government's current policy is the same fundamentally as the Holder-Lynch policy, whereby the States may legalize marijuana for its law enforcement purposes, but it remains illegal with regard to federal purposes.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Attorney General Sessions (the "Sessions Memo"). It is the Company's opinion that the Sessions Memo does not represent a significant policy shift as it does not alter the DOJ's discretion or ability to enforce federal marijuana laws rather just provides additional latitude to the DOJ to potentially prosecute state-legal marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. The result of the rescission of the Cole Memo is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memo did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from US Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. See "US Enforcement Proceedings". Due to the ambiguity of the Sessions Memo in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See "Risk Factors".

Even though the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current US Federal enforcement guidelines and US states in which the retail cannabis dispensaries and Acquisition Targets operate in.

On January 16, 2018, A bipartisan coalition of State Attorneys General have issued a letter to Congressional leadership urging them to "advance legislation" to permit state-licensed marijuana businesses greater access to banking and other financial services. The letter is undersigned by the Attorneys General from the States of Alaska, California, Colorado, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, New Mexico, New York, Oregon, Pennsylvania, Vermont, and Washington, as well as from the District of Columbia and the US territory of Guam.

On March 22, 2018, the House of Representatives and Senate voted in favor of approving the Omnibus Spending Bill (the "Bill") and it was signed into law the following day by the President Donald Trump. With the Bill's approval comes an extension of Rohrabacher-Leahy Amendment until September 2018, which is represented by Section 538 of the Bill. Rohrabacher-Leahy Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use marijuana.

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

On November 7, 2018, Attorney General Sessions resigned after the US Mid-Term Elections, both of which would potentially impact the US cannabis industry. From the Mid-Term Elections, US voters delivered a split verdict for Congress, as the Democrats secured a majority in the House of Representatives (the "House") while the Republicans expanded their majority in the Senate. With the Democrats taking back control of the House, it may prove to be a catalyst for the sector to reinforce the notion that cannabis in the US has the tipping point on its way to eventual full legal status. While pro-cannabis legislation would still require passing the Senate and the Executive Branch, the path to legalization seems to have opened up with Mr. Sessions's departure. With divided congressional power, there will be opportunity for bi-partisanship on a number of issues including the Strengthening the Tenth Amendment Through Entrusting States Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bi-partisan efforts initiated by Senator Gardner together with Massachusetts Senator Elizabeth Warren. Senator Warren won re-election which ensures she will push the change to federal law regarding cannabis. In addition, constituents of Michigan voted to legalize recreational marijuana, making Michigan the first state in the Midwest to do so and the 10th in the US overall demonstrating growing sentiment amongst Americans towards legalization. Voters in Missouri and Utah approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

There is no guarantee that the current presidential administration will not change its stated policy regarding the low-priority enforcement of US federal laws that conflict with State laws. Additionally, any new US federal government administration that follows could change this policy and decide to enforce the US federal law vigorously. **Any such change in the US federal government's enforcement of current US federal law could cause adverse financial impact and remain a significant risk to the Company's and its Acquisition Targets' businesses, which could in turn have an impact on the Company's operations**. See "Risk Factors".

US Enforcement Proceedings

The US Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("Rohrabacher-Blumenauer Amendment"), which by its terms does not appropriate any federal funds to the DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the US Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the ''Rohrabacher-Leahy Amendment'') and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. These protections were subsequently extended through December 21, 2018 as part of a short-term continuation of appropriations. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. If Congress restores funding, the US Federal Government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA's five-year statute of limitations.

State-Level Overview

The following sections present an overview of regulatory conditions for the marijuana industry in US States in which the Company's retail dispensaries and Acquisition Targets have an operating presence:

California

On November 8, 2016, California voted to approve the "Adult Use of Marijuana Act" ("AUMA") to tax and regulate for all adults 21 years of age and older. In 1996, California was the first US state to pass a medical marijuana law allowing for a not-for-profit patient/caregiver system, but there was no State licensing authority to oversee businesses that emerged. In September of 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). The MCRSA establishes a licensing and regulatory framework for medical marijuana businesses in California. The system has multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers will require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies will oversee different aspects of the program and businesses will require a State license and local approval to operate.

On June 27, 2017, California State Legislature passed Senate Bill No. 94, known as the "Medicinal and Adult-Use Cannabis Regulation and Safety Act" ("MAUCRSA"), which amalgamates the MCRSA and AUMA frameworks to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. On November 16, 2017, the State Government introduced the emergency regulations, which shall be governed by California Bureau of Cannabis Control (the "BCC"), California Department of Public Health and California Department of Food and Agriculture, which provide further clarity on the regulatory framework that will govern cannabis businesses. The regulations build on the regulations provided by MCRSA and AUMA and also specify that the businesses will need to comply with the local law in order to also comply with the State regulations. On January 1, 2018, the new State regulations took effect as California moved to full adult-use state legalization for cannabis products.

To operate legally in California, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining the state license, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are no residency requirements for ownership under MAUCRSA.

In California, two state leaders had issued statements signaling intent to defend the State's voter-approved law legalizing recreational marijuana, in response to the Sessions Memo. California Attorney General Xavier Becerra has stated publicly, "In California, we decided it was best to regulate, not criminalize, cannabis," "We intend to vigorously enforce our state's laws and protect our state's interests." The BCC's Chief Executive Lori Ajax also stated, "We'll continue to move forward with the state's regulatory processes covering both medicinal and adult-use cannabis consistent with the will of California's voters, while defending our state's laws to the fullest extent."

On May 29, 2018, federal and state authorities announced a joint effort to target illegal cannabis grows, with $2.5 million in federal money backing the effort. McGregor Scott, US Attorney for the Eastern District of California, said he will prioritize illegal weed rather than going after the legal recreational marijuana market even though US federal law bans marijuana. He stated, "The reality of the situation is there is so much black-market marijuana in California that we could use all of our resources going after just the black market and never get there," "So for right now, our priorities are to focus on what have been historically our federal law enforcement priorities: interstate trafficking, organized crime, and the federal public lands."

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California.

Oregon

In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act" creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed retail marijuana stores, as well as cultivating marijuana at home. The OLCC licenses and regulates adult-use marijuana businesses and is currently accepting applications. On October 15, 2015, the OLCC published draft recreational marijuana rules, which were finalized and took effect on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules ("OAR Division 25"). These rules have been updated on a regular basis since that time, due to administrative prerogative and legislative changes. Currently licensed cannabis companies in the State of Oregon are not subject to residency requirements. OAR Division 25 will continue to evolve and there is no certainty that changes will not adversely affect the Company's operations, as the changes are subject to OLCC's review and approval.

In Oregon, there are six types of recreational marijuana licenses for commercial uses: Producer, Processor, Wholesaler, Retail, Laboratory, a Certificate for Research, and a Hemp Certificate. While there is no limit on the number of licenses being issued, state regulators in Oregon had temporarily discontinued processing new adult-use licenses effective June 15, 2018, due to an oversupplied recreational marijuana market and a backlog of applications in the state.

In February 2018, US Attorney Billy Williams told a gathering that included Governor Kate Brown, law enforcement officials and representatives of the cannabis industry that Oregon has an "identifiable and formidable overproduction and diversion problem." In May 2018, Attorney Williams issued a memorandum spelling out five priorities for going after illegal cannabis operations that violate federal laws, with the first priority to crack down on the leakage of surplus marijuana into bordering states where pot is still against the law. The memo also stated that federal prosecutors will also target keeping marijuana out of the hands of minors, any crimes that involve violence or firearm violations or organized crime, and cultivation that threatens to damage federal lands through improper pesticide and water usage.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Oregon.

Business Acquisition

Terpene Station

On September 26, 2018, the Company acquired the assets of Terpene Station. 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, 2018.

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 summarizes the preliminary breakdown of the purchase price allocated to the assets acquired:

Purchase Price Consideration Paid	
	$
Cash	**519,000**
Promissory notes	**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

Overall Performance

Selected Annual Information

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

	As at and for 9-months ended October 31, 2018	**January 31, 2018**	**January 31, 2017**	**January 31, 2016**
	$	**$**	**$**	**$**
Sales	191,238	-	-	-
Gross margin	69,601	-	-	-
Operating expenses	(2,184,845)	(1,226,258)	(256,571)	(227,874)
Other expenses	(107,222)	(1,365,754)	(15,889)	(14,755)
Net loss	(2,222,466)	(2,592,012)	(272,460)	(242,629)
Loss per share	(0.040)	(0.079)	(0.026)	(0.029)
Total assets	5,050,721	4,528,801	622,334	28,901
Total liabilities	1,933,502	4,341,885	189,797	485,878
Shareholders' equity (deficiency)	3,117,219	186,916	456,828	(456,977)

Selected Quarterly Financial Results

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

	Q3 2019	**Q2 2019**	**Q1 2019**	**Q4 2018**
	$	**$**	**$**	**$**
Sales	191,238	-	-	-
Gross margin	69,601	-	-	-
Operating loss	(779,797)	(802,387)	(602,661)	(655,226)
Net income (loss)	157,888	(797,526)	(1,582,828)	(1,909,044)
Income (loss) per share – basic and diluted	0.003	(0.013)	(0.032)	(0.058)
Working capital	2,592,090	2,523,482	4,084,979	3,864,610

	Q3 2018	**Q2 2018**	**Q1 2018**	**Q4 2017**
	$	**$**	**$**	**$**
Sales	-	-	-	-
Gross margin	-	-	-	-
Operating loss	(268,444)	(196,981)	(105,607)	(160,260)
Net loss	(381,575)	(29,671)	(109,222)	(163,573)
Loss per share – basic and diluted	(0.012)	(0.001)	(0.003)	(0.022)
Working capital	2,205,312	2,448,167	347,427	456,828

Financial Results for the Three Months ended October 31, 2018

Results of Operations

During the three months ended October 31, 2018 ("Q3 2019"), the Company generated sales of $191,238, as a direct result of the Terpene Station Acquisition. In acquiring the two retail cannabis dispensaries in Oregon, the Company now owns a vehicle which generates sources of revenue.

During Q3 2019, the Company generated net income of $157,888 or $0.003 per share, as compared to a net loss of $381,575 or $0.012 per share for the three months ended October 31, 2017 ("Q3 2018"). The net income generated in the quarter was primarily driven by sales of products from the Terpene Station dispensaries and the significant decrease in the fair value of the Company's embedded derivative liabilities, which were partially offset by its operating expenses. During Q3 2019, the Company incurred significantly higher expenses from the increased scope of operations, epitomized by the Terpene Station Acquisition, which in return gave rise to higher consulting and legal fees and office expenses.

During Q3 2019, the Company incurred management and consulting fees of $193,219, as compared to $77,539 in Q3 2018. The increase was primarily due to consulting activities provided by FMICA for strategic advisory services in relation to its proposed acquisitions, notably the Harborside Transaction, and for consulting services provided by its executives, including a bonus of $150,000 paid to the former CEO upon the Company securing its listing on the CSE. During the current quarter, the Company also incurred professional fees of $139,702, as compared to $115,579 in Q3 2018, primarily in the form of legal fees. This increase reflects the costs associated with Company's expansion strategy into the US cannabis market.

Office and general expenses totaled $278,177 in Q3 2019, as compared to $44,889 in Q3 2018. The increase was related to the increased scope of operations from the Company's acquisition of Terpene Station. In an effort to compensate its officers, directors and consultants, stock-based compensation of $103,676 was recorded on options granted which vested to date, compared to stock-based compensation of $27,910 recorded in Q3 2018.

Finance costs, comprising of interest and accretion on debentures, totaled $50,778 in Q3 2019 (Q3 2018 – $156,207) and were principally related to the May 2017 Convertible Debentures. The decrease in finance costs was mainly attributed to the conversion of debentures into shares of the Company, which proportionately reduced the related interest and accretion on debts. The conversion feature and the warrants component of the Convertible Debentures were accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The fair value change resulted in a significant gain of $918,261 during Q3 2019 (Q3 2018 – $43,076), as the fair value of the embedded derivative liabilities decreased during the quarter.

Cash Flows

Net cash used in operating activities during Q3 2019 was $263,749, as compared to net cash used in operations of $160,708 in Q3 2018. The increase in operating spending was primarily attributed due to the Company's expansion into the US cannabis industry and notably, the closing of the Terpene Station Acquisition. The change is also related to the use of working capital during the current quarter. As funds were required for closing and making advances on proposed acquisitions, the Company delayed payments of certain of its obligations in the normal course of business, as part of its capital management strategy. These aforementioned liabilities were paid off subsequent to the quarter.

Net cash provided by financing activities for Q3 2019 was $422,130, as a direct result of warrants and options exercised during the quarter for total proceeds of $225,000. The Company also received funds from the Corporate Secretary in the form of a note payable for $197,130 during the period. During Q3 2018, the Company did not engage in any financing activities.

Net cash used in investing activities for Q3 2019 was $1,316,528, including cash of $519,000 paid on closing of the Terpene Station Acquisition. The outlays also included $401,760 (USD $300,000) advanced to Altai, representing the third of four cash payments to LUX of USD $300,000, as consideration for the Altai Acquisition. In addition, a loan in the form of a promissory note of $395,940 (USD $300,000) was made by the Company to Walnut Oaks. During Q3 2018, the Company had not undertaken any investing activities.

Financial Results for the Nine Months ended October 31, 2018

Results of Operations

During the nine months ended October 31, 2018, the Company generated sales of $191,238, as a direct result of the Terpene Station Acquisition. In acquiring the two retail cannabis dispensaries in Oregon, the Company now owns a vehicle which generates sources of revenue.

During the nine months ended October 31, 2018, the Company incurred a net loss of $2,222,466 or $0.040 per share, as compared to a net loss of $774,043 or $0.024 per share for the comparable period in 2017. The significant increase in net loss was primarily the result of higher expenses incurred from the Company's increased scope of operations with the closing of the Terpene Station Acquisition. The Company has also been working toward finalizing definitive agreements and execution of transaction closings of its Acquisition Targets, which resulted in higher consulting and legal fees incurred.

During the nine months ended October 31, 2018, the Company incurred management and consulting fees of $919,329, including share-based payment of $141,021, as compared to $217,439 in the comparative period. The substantial increase was primarily due to increased consulting activities provided by FMICA for strategic advisory services, and for consulting services provided by its executives, including a bonus of $150,000 paid to the former CEO upon the Company securing its listing on the CSE. During the current period, the Company also incurred professional fees of $400,507, as compared to $223,685 in 2017. The increase in fees paid is a direct reflection of the costs associated with Lineage's foray into the US cannabis market.

During the nine months ended October 31, 2018, office and general expenses totaled $563,921, as compared to $70,897 in the comparative period. The substantial increase was related to the increased scope of operations from the Company's acquisition of Terpene Station. To compensate its officers, directors and consultants, stock-based compensation of $293,598 was recorded during the period on options granted which vested to date, compared to stock-based compensation of $40,185 in 2017.

Finance costs, comprising of interest and accretion on debentures, totaled $249,476 during the nine months ended October 31, 2018 (2017 – $279,586) and were principally related to the May 2017 Convertible Debentures. The conversion feature and the warrants component of the Convertible Debentures were accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The fair value change resulted in a gain of $133,428 during the period (2017 – gain of $76,575), as the fair value of the embedded derivative liabilities had decreased compared to the end of the prior fiscal year.

Cash Flows

Net cash used in operating activities for the nine months ended October 31, 2018 was $2,322,678, as compared to net cash used in operations of $291,523 in 2017. The substantial increase in cash spent in operations was primarily attributed due to the increased scope of operations, from the closing of Terpene Station and the Company's continued pursuit of other proposed transactions. The change is also related to the use of working capital during the period. As funds were received on closing of the private placement financings during the first half of the year, the Company utilized some of the funds to pay off certain of its obligations, as well as having made certain deposits and advances, as part of its continued expansion strategy.

Net cash provided by financing activities for the nine months ended October 31, 2018 was $1,307,774, as compared to net cash flows from financing activities of $2,222,303 in 2017. The relative decrease was due to the financing of Convertible Debentures which closed in May 2017, which raised gross proceeds of $2.5 million for the Company. During the current period, the Company raised funds of $991,900 from closing of its private placements during the first quarters, and total proceeds of 251,000 were received from exercises of warrants and options. The Company also received funds from the Corporate Secretary in the form of a note payable for $197,130.

Net cash used in investing activities for the nine months ended October 31, 2018 was $3,078,598, of which $1,182,780 (USD $900,000) represents three of the four cash payments of USD $300,000 to LUX, as consideration for the Altai Acquisition. The increase in cash used in investing activities also included promissory notes of

$981,050 (USD $750,000) to Altai, promissory notes of $395,940 (USD $300,000) and the cash paid on closing of the Terpene Station Acquisition. During the comparative period, the Company had not undertaken any other investing activities.

Working Capital and Liquidity Outlook

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

As at October 31, 2018, the Company had total assets of $5,050,721, total liabilities of $1,933,502 and total shareholders' equity of $3,117,219. This compares to total assets of $4,528,801, total liabilities of $4,341,885 and total equity of $186,916 as at January 31, 2018. The decrease in total liabilities is primarily attributed to the conversion of debentures in common shares of the Company during the period, while the increase in equity is related to the conversion of debentures, and closing of the ensuing tranches of the Concurrent Financings which closed in February 2018.

As at October 31, 2018, the Company had current assets of $3,605,515 (January 31, 2018 – $4,528,801), including cash of $267,617 (January 31, 2018 – $4,347,368) to settle current liabilities of $1,013,425 (January 31, 2018 – $664,191, for a net working capital of $2,592,090 (January 31, 2018 – $3,864,610).

Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at period-end.

Related Party Transactions and Key Management Compensation

Key management personnel compensation

On October 15, 2010, the Company and FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, the CEO and a 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. 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.

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 the private placement 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.

Capital Management

The Company's objective in managing its capital structure is to ensure the entity continues as a going concern as well as to maintain optimal returns 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).

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.

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 of the unaudited condensed interim consolidated financial statements.

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.

Summary of Significant Accounting Policies

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

Changes in Accounting Policies

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

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.

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.

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 cash-generating unit ("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.

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

Recent Accounting Pronouncements

The IASB and the IFRIC have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 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 following standards or amendments will have on the Company's unaudited condensed interim consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

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.

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.

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 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 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.

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.

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.

Proposed Transactions

Nutritional High International Inc.

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

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

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

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

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

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

product category at a price equal to NHII's best regular whole sale price to NHII's customers in the state, subject to availability of supply.

As at January 31, 2018, the Company had recognized a share liability amount of $254,606 for the common shares to be issued to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement. On March 7, 2018, 1,650,000 common shares were issued by the Company to NHII.

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.

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 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. This note will become a loan to subsidiary after completion of the Altai Acquisition; and

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

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.

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 the Agreement to acquire California-based Walnut Oaks, which operates a premium quality 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.

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.

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 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. 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.

Off-Balance Sheet Arrangements

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

Subsequent Events

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.

Walnut Oaks

On November 20, 2018, the Company, through its wholly-owned subsidiary Lineage GCL California, LLC, entered into the Agris Agreement with Walnut Oaks 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 entered into an agreement to terminate the Herbiculture LOI previously entered whereby Lineage would acquire Quinsam's right to a 35% equity stake in Herbiculture. 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.

Disclosure of Outstanding Share Data as of December 20, 2018

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited number of common shares	74,938,939 common shares
Securities convertible or exercisable into voting or equity		a) 23,640,998 warrants exercisable to acquire common shares of the Company; and b) 5,863,333 outstanding stock options, of which 3,880,833 stock options are exercisable into common shares of the Company.

Risk Factors

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

Limited operating history in its new area of business

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

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;

- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

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

Additional financing

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

Volatile global financial and economic conditions

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

Reliance on third-party suppliers, manufacturers, distributors and contractors

Due to the uncertain regulatory landscape for regulating cannabis in Canada and the US, third-party suppliers, manufacturers, distributors and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers, distributors and contractors may have a material adverse effect on the Company's business and operational results.

Reliance on securing agreements with Licensed Producers

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

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

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

Regulation

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

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

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

US Federal Law

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

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

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

resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

As of the date of this MD&A, 32 States, the District of Columbia and Guam allow their residents to use medical marijuana. Voters in the States of Colorado, Washington, Oregon, Alaska, California, Nevada, Massachusetts, and Maine have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The State laws are in conflict with the FCSA, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by State-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the Trump administration will not change the government's stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

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

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

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

There are risks associated with removal of US Federal Budget Rider Protections

The US Congress has passed appropriations bills (the "Leahy Amendment") each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018 and included the re-authorization of the Leahy Amendment. It will continue in effect until September 30, 2018, the last day of fiscal year 2018. These protections were subsequently extended through December 21, 2018 as part of a short-term continuation of appropriations.

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

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

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

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

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

Lack of access to US Bankruptcy Protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company was to experience a bankruptcy, there is no guarantee that US federal bankruptcy protections would be available to the Company's US operations, which would have a material adverse effect on the Company, its lenders and other stakeholders.

Taxes

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

Illegal drug dealer could pose threats

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

Reliance on management

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

US border crossing

Investors in the Company and the Company's directors, officers and employees may be subject to travel and entry bans into the US. Recent media articles have reported that certain Canadian citizens have been rejected for entry into the US due to their involvement in the marijuana sector.

The majority of persons travelling across the Canadian and US border do so without incident, whereas some persons are simply barred entry one time. The US Department of State and the Department of Homeland Security have indicated that the US has not changed its admission requirements in response to the pending legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the US may be increasing its scrutiny of travelers and their cannabis related involvement.

Admissibility to the US may be denied to any person working or 'having involvement in' the marijuana industry, according to US Customs and Border Protection. Inadmissibility in the US implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Risks associated with increasing competition

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medicinal and adult-use industry, many of which possess greater financial and marketing resources and other resources than the Company. The cannabis business is often affected by changes in national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any changes in these factors could materially and adversely affect the Company's operations. The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

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

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

Factors which may prevent realization of growth targets

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

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;

- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

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

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

Product liability

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

Product recalls

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

and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company may be vulnerable to unfavorable publicity or consumer perception

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

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

Dependence on suppliers and skilled labour

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

Operating risk and insurance coverage

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

Uninsurable risks

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

Management of growth

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

Dividends

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

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

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

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

Foreign currency exchange rates

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

Limited market for securities

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

Difficult to forecast demand

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in Canada and the US. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company

Environmental and employee health and safety regulations

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

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

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

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

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

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded,

processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Cautionary Note Regarding Forward Looking Statements

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

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

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the unaudited condensed interim consolidated financial statements in all material aspects.

The Audit Committee has reviewed the unaudited condensed interim consolidated financial statements and this MD&A with management. The Board of Directors has approved the unaudited condensed interim consolidated financial statements and this MD&A on the recommendation of the Audit Committee.

December 20, 2018

Peter Bilodeau
Chief Executive Officer