No securities regulatory authority has in any way passed upon the merits of the transactions described in this management information circular. The Canadian Securities Exchange has not approved the Resulting Issuer (as defined herein) for listing. A listing will be subject to meeting the requirements of the Canadian Securities Exchange and there is no guarantee when, or if, a listing will occur.

AMENDMENT TO THE NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

CONCERNING A PROPOSED BUSINESS COMBINATION INVOLVING

LINEAGE GROW COMPANY LTD.
("Lineage")

AND

FLRISH, INC.
("FLRish")

April 30, 2019

The resulting issuer (the "Resulting Issuer") from the proposed Business Combination will derive a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. FLRish, Lineage and the Resulting Issuer will be directly involved (through its licensed subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, FLRish's subsidiaries and managed entities are directly engaged in the cultivation, manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the State of California. Currently, Lineage's subsidiaries are directly engaged in the possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the State of Oregon. See *Appendix "A" – Draft Listing Statement – Risk Factors*" of this circular amendment for additional information on this risk.

The notice of annual general and special meeting of shareholders (the "**Notice**") of Lineage Grow Company Ltd. ("**Lineage**") and accompanying management information circular (the "**Circular**"), and the letter of transmittal, each dated April 9, 2019, relating to the special meeting of Lineage are revised per this amendment (the "**Circular Amendment**"). As such, the Notice, the Circular and letter of transmittal should be read in conjunction with this Circular Amendment. All capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Circular.

The revisions contained in this Circular Amendment are the result of the filing of a draft Listing Statement providing disclosure required under Item 14.2 of Form 51-102F5 of NI 51-102 with respect to the Transaction, FLRish, Lineage and the Resulting Issuer. The draft Listing Statement is attached to this Circular Amendment as Appendix "B". Shareholders are urged to review the Listing Statement before voting on the matters to be transacted at the Meeting.

Amendment to the Notice

The last paragraph of page 2 is deleted and replaced with the following:

> The Transaction will be completed pursuant to the merger agreement between Lineage, Lineage Merger Sub Inc. ("**Lineage Subco**") and FLRish dated as of February 8, 2019, as may be amended from time to time (the "**Definitive Agreement**"). A copy of Definitive Agreement will be available under Lineage's profile on SEDAR at www.sedar.com. A description of the Transaction, FLRish, Lineage and the Resulting Issuer will be set out in a draft CSE Form 2A Listing Statement to be filed on SEDAR at www.sedar.com prior to the Meeting (the "**Listing Statement**") which Listing Statement is ~~incorporated by reference in the Circular~~ attached as Appendix "A" to the Circular Amendment. Shareholders are urged to review the Listing Statement before voting on the matters to be transacted at the Meeting.

Amendments to the Circular

The segment titled "Interest of Informed Persons in Material Transactions" on page 6 is deleted and replaced with the following:

> **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**
>
> Except as disclosed in this Circular (including the Listing Statement which is ~~incorporated by reference herein~~ attached as Appendix "A" to the Circular Amendment), no director or executive officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the financial year ended January 31, 2018, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation. In particular, Item 20 - *Interest of Management and Others in Material Transactions* of the Listing Statement provides disclosure of the interests of certain directors, officers and proposed nominees for election as directors of the Corporation in the Transaction and related transactions.

The segment titled "Interest of Certain Persons or Companies in Matters to be Acted Upon" on page 7 is deleted and replaced with the following:

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

> Except as disclosed in this Circular (including the Listing Statement which ~~incorporated by reference herein~~ attached as Appendix "A" to the Circular Amendment), no director or executive officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any of the persons who have been directors or executive officers of the Corporation since the commencement of the Corporation's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting (other than the election of director). In particular, Item 20 - *Interest of Management and Others in Material Transactions* of the Listing Statement provides a summary of disclosure of interest of certain directors, officers and proposed nominees for election as directors of the Corporation in the Transaction and related transactions.

Appendix "A" – Draft Listing Statement is added to this Circular Amendment.

Amendment to the Letter of Transmittal

The first paragraph on page 1 of the Letter of Transmittal is deleted and replaced with the following:

> Reference is made to the proposed business combination transaction (the "**Business Combination**") involving Lineage Grown Company Ltd. ("**Lineage**"), FLRish, Inc. ("**FLRish**") and Lineage Merger Sub Inc., a wholly-owned subsidiary of Lineage ("**Lineage Subco**"), pursuant to which, among other things, FLRish will merge with Lineage Subco under the laws of California with FLRsih being the surviving entity of the merger, and FLRish become a subsidiary of Lineage. In connection with the completion of the Business Combination, Lineage intends to complete a consolidation (the "**Consolidation**") of the issued and outstanding common shares of Lineage (the "**Lineage Shares**") on the basis of approximately ~~42.18~~ 41.82 Lineage Shares to one (1) Lineage Share on a post-Consolidation basis and with each post-Consolidation Share being reclassified as a subordinate voting share (the "**Reclassification**") (each whole share after the Consolidation and Reclassification taking effect, a "**New Lineage Share**") and to be renamed "Harborside, Inc.", or such other name as may be determined by Lineage, subject to regulatory approval (the "**Name Change**").

DIRECTOR APPROVAL

The contents of this Circular Amendment and the sending thereof to the Shareholders of the Corporation have been approved by the Board.

April 30, 2019

(signed) *"Peter Bilodeau"*
Peter Bilodeau
Director and Chief Executive Officer

APPENDIX “A”
DRAFT LISTING STATEMENT

Draft: April 30, 2019

Harborside Inc.

HARBORSIDE

LISTING STATEMENT - FORM 2A

IN CONNECTION WITH THE LISTING OF THE SHARES OF LINEAGE GROW COMPANY LTD. TO BE RENAMED "HARBORSIDE INC." AFTER THE REVERSE TAKEOVER BY FLRISH, INC.

●, 2019

Each of Lineage Grow Company Ltd. ("Lineage" or the "Corporation") and FLRish, Inc. (doing business as Harborside) ("FLRish") derives a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Currently, Lineage's subsidiaries are directly engaged in the manufacture, possession, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the State of Oregon. Currently, entities managed by FLRish are directly involved in the manufacture, possession, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the State of California, although FLRish and its owned subsidiaries are currently not directly involved. On closing of the reverse takeover transaction with FLRish, Lineage will be renamed "Harborside Inc." (the "Resulting Issuer") and will, through its subsidiaries and controlled entities, be directly and indirectly engaged in the manufacture, possession, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the States of California and Oregon.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any indication.

In the United States cannabis is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Any person connected to the marijuana industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss.

Due to the federal illegality of cannabis and the political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medicinal and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

Please see the table of concordance under Item 3.3 – *Trends, Commitments, Events or Uncertainties* in this Listing Statement for further information on the material facts, risks and uncertainties related to U.S. issuers with cannabis-related activities.

For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Resulting Issuer, please see Item 17 – *Risk Factors* in this Listing Statement.

In accordance with the Staff Notice 51-352, please see the table of concordance under Item 3.3 – *Trends, Commitments, Events or Uncertanties* that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Neither the Canadian Securities Exchange nor any securities regulatory authority has in any way passed upon the merits of the transaction described in this Listing Statement.

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INTRODUCTION

This Listing Statement is furnished on behalf of the management of the Corporation in connection with the Transaction and proposed listing of the Resulting Issuer Shares on the CSE under the symbol "HBOR". Capitalized terms used in this Listing Statement which are not otherwise defined shall have the meanings set forth under Item 1 – *Glossary of Terms*. Information contained in this Listing Statement is given as of •, 2019, unless otherwise specifically stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this listing statement including information incorporated by reference, may contain "forward-looking statements" about the Corporation, FLRish, the Resulting Issuer and their respective subsidiaries and controlled entities. In addition, the Corporation, FLRish or the Resulting Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Corporation, the Resulting Issuer, or FLRish that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Corporation, the Resulting Issuer or FLRish that address activities, events or developments that the Corporation, the Resulting Issuer, and FLRish expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the regulation of the cannabis[1] industry;

(b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and

(c) other risks described in this Listing Statement and described from time to time in documents filed by the Corporation, FLRish, or the Resulting Issuer with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt of required shareholder and regulatory approvals in a timely manner or at all; (ii) receipt and/or maintenance of required licenses and third party consents in a timely manner or at all; and (iii) the success of the operations of the Resulting Issuer.

Although the Corporation and FLRish believe that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of

[1] *In this Listing Statement, the terms "cannabis" and "marijuana" are used interchangeably unless otherwise indicated.*

factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to laws and regulations applicable to the production and sale of marijuana; and other factors beyond the Corporation and FLRish's control, as more particularly described under the heading “Risk Factors” in this Listing Statement.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Corporation, the Resulting Issuer, or FLRish, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation, the Resulting Issuer or FLRish. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation, the Resulting Issuer, or FLRish, and/or persons acting on their behalf may issue. None of the Corporation, the Resulting Issuer, or FLRish undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

MARKET AND INDUSTRY DATA

This Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications. Lineage and FLRish believe that the industry data is accurate and that the estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, neither Lineage nor FLRish has independently verified any of the data from third-party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

CURRENCY

Unless otherwise indicated, all references to “$” or “US$” in this Listing Statement refer to United States dollars and all references to “C$” in this Listing Statement refer to Canadian dollars.

INFORMATION CONCERNING FLRISH

The information contained or referred to herein relating to FLRish has been furnished by FLRish, without independent verification by the Corporation. In preparing this Filing Statement, the Corporation has relied upon FLRish to ensure that this Filing Statement contains full, true and plain disclosure of all material facts relating to FLRish and its subsidiaries and controlled entities.

INFORMATION CONCERNING LINEAGE

The information contained or referred to herein relating to Lineage has been furnished by Lineage, without independent verification by FLRish. FLRish has relied upon Lineage to ensure that this Filing Statement contains full, true and plain disclosure of all material facts relating to Lineage and its subsidiaries.

SUMMARY

The Transaction is structured as a reverse triangular merger whereby FLRish will merge with Subco, a wholly-owned subsidiary of Lineage newly incorporated under the laws of Delaware. Immediately prior to the merger taking effect, Lineage will, among other things:

- file articles of amendment to create a class of Special Shares issuable in series;
- consolidate its outstanding common shares on the basis of 41.818182 old Lineage Common Shares into one new Lineage Common Share;
- reclassify its post-Consolidation common shares as Subordinate Voting Shares; and
- create a new class of Multiple Voting Shares.

On closing of the Transaction, the holders of FLRish shares will receive either Subordinate Voting Shares or a combination of Multiple Voting Shares and Subordinate Voting Shares for each FLRish Share outstanding. Each Series A Special Share will be automatically converted into one Lineage Common Share upon the completion of the Transaction without payment of additional consideration or any further action from the holder. Each Series B Special Share will be automatically converted into one Lineage Common Share upon the completion of the LUX Acquisition without payment of additional consideration or any further action from the holder. Each Series C Special Share will be automatically converted into one Lineage Common Share upon the completion of the Agris Farms Acquisition without payment of additional consideration or any further action from the holder. See Item 10.1 – *Description of the Securities – Lineage* for further details regarding the Subordinate Voting Shares, Multiple Voting Shares, and Special Shares.

The Subordinate Voting Shares are expected to be listed on the CSE under the symbol "HBOR". The Subordinate Voting Shares will carry one vote per share held. The Multiple Voting Shares will not be listed for trading on any exchange, and will each carry the right to 100 votes per share at meetings of the shareholders of the Resulting Issuer.

Subject to certain conversion limitations, the Multiple Voting Shares will be convertible into Subordinate Voting Shares at any time at the option of the holder on a 100:1 basis, subject to adjustment in certain customary circumstances. The conversion limitations will include the Resulting Issuer taking actions necessary to maintain its status as a "foreign private issuer" (as determined in accordance with Rule 3b-4 under the Exchange Act. Accordingly, the Resulting Issuer will not affect any conversion of Multiple Voting Shares to the extent that after giving effect to all permitted issuances after such conversion of Multiple Voting Shares, the aggregate number of Subordinate Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act) would exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares.

Lineage plans to hold a special meeting of shareholders on May 16, 2019 to approve the Transaction and related matters, including obtaining minority approval (as defined by OSC Rule 56-501) for the distribution of restricted shares in accordance with OSC Rule 56-501. The Transaction is considered to be arm's length and no valuation has been obtained in respect thereof.

See Item 3.1 – *General Development of the Business – The Transaction*.

<u>Lineage</u>

Lineage is a "reporting issuer" in British Columbia, Alberta and Ontario with its shares listed for trading on the CSE under the symbol "BUDD". It is a Canada-based, retail cannabis company, which has been actively operating in the cannabis sector since 2017 and generating revenue since September 2018. Lineage owns and operates the Terpene Station Dispensaries, two retail licensed stores located in Oregon (Portland and Eugene), and is focused on assembling licensed operators with good growth potential and superior management, either through direct acquisition or through joint ventures, with an aim towards building a dominant vertically-integrated cannabis business that leverages best-in-class cultivation, brands, distribution, and retail assets. Lineage is pursuing strategic acquisitions of Lucrum Enterprises, Inc. d/b/a LUX Cannabis Dispensary and Walnut Oaks, LLC d/b/a Agris Farms, both of which are subject to a number of closing conditions. Lineage has entered into a purchase agreement with respect to the Agris Farms Acquisition and a binding letter of intent with respect to the LUX Acquisition.

See Item 3.1 – *General Development of the Business – Lineage*.

FLRish

FLRish is a private company headquartered in Oakland, California. Through its subsidiaries, FLRish effectively controls over 10% of the Northern California retail cannabis market offering labor, procurement, advisory, retail, administrative, and other services to licensed dispensaries in the State of California. FLRish is the exclusive owner of the "Harborside" brand and the manager of certain dispensaries operating under that name in California.

In 2006, Mr. Stephen DeAngelo and Mr. dress wedding established Harborside Oakland as a compliant medical cannabis dispensary in Oakland, California and began doing business as Harborside. In 2012, DeAngelo and Wedding established Harborside San Jose as a compliant medical cannabis dispensary in San Jose, California and began doing business under the Harborside brand. At the time, California and local regulations required that both the Harborside Dispensaries operate on a not-for-profit basis, limiting their ability to raise funds independently to invest in cultivation facilities to achieve their goal of vertical integration.

In 2015, leveraging years of retail dispensary operating expertise, DeAngelo and Wedding co-founded FLRish as a for-profit company to raise funds and provide management, infrastructure, and financial services to the Harborside Dispensaries and to the legal medical cannabis industry. FLRish also partnered with Harborside Oakland to develop a cultivation facility to produce clean, high-quality cannabis to sell to the dispensaries' patients and the medical cannabis industry.

In 2015, FLRish, through an affiliate, obtained a purchase option on the Salinas Farm. In 2016, FLRish leased the Salinas Farm to Harborside Oakland, which became the tenant farmer and began cultivating cannabis at the property pursuant to a cultivation management services agreement with FLRish. As part of the arrangement, FLRish invested funds to improve the facility's infrastructure as part of the landlord/head tenant improvements.

Since 2015, FLRish has entered into a series of agreements with DeAngelo and Wedding, including MSAs, pursuant to which FLRish manages and operates the business of the Harborside Dispensaries. In 2017, FLRish acquired the "Harborside" brand, marks, and all proprietary intellectual property. DeAngelo and Wedding have also granted FLRish with Merger Options to acquire 100% of the equity ownership in the Harborside Dispensaries, subject to certain conditions being met. The Merger Options are non-arm's length and have not been subject to independent valuation.

FLRish and Lineage have agreed that, absent a material change, the Merger Options will be exercised by the Resulting Issuer. If the Merger Options are not exercised, the Resulting Issuer will nonetheless continue to have "control" over the Harborside Dispensaries for accounting purposes and for consolidation of Harborside Dispensaries' financial statements into the financial statements of the Resulting Issuer pursuant to Canadian generally accepted accounting principles.

In 2018, FLRish entered into a retail MSA to manage Harborside Desert Hot Springs, a retail dispensary located in Desert Hot Springs, California. Under the terms of the MSA, FLRish will provide design and initial start-up information, recommendations for key staff positions, and other services related to the operations of the store including financial management, staff training, advertising and marketing, and supply chain management. The term of the MSA is five years with two automatic five year renewals for a total of 15 years. The projected open date for the Desert Hot Springs dispensary is the second quarter of 2019.

FLRish, together with a premier indoor clone cultivator, has also established Harborside San Leandro to launch a cannabis dispensary in San Leandro, California. As of the date of this Listing Statement, the project is under construction, is expected to open in the second quarter of 2019 and is expected to be managed pursuant to the San Leandro MSA.

FLRish is actively pursuing growth opportunities to expand its portfolio in the medical and adult use cannabis industry in the San Francisco Bay Area. In October 2018, FLRish entered into the Airfield LOI to acquire the shares and related intellectual property assets of an integrated cannabis retail dispensary and cultivation facility located in San Jose, California operating under the “Airfield Supply Co.” brand name. Completion of the Airfield Acquisition is subject to satisfactory completion of due diligence, execution of a definitive agreement, closing of the Transaction, and a number of other closing conditions. There can be no assurance that the Airfield Acquisition will be completed as proposed or at all.

See Item 3.1 – *General Development of the Business – FLRish*.

Resulting Issuer

Following completion of the Transaction, the Resulting Issuer will integrate and carry on the businesses of FLRish and Lineage under the name “Harborside” to maintain and build its position as one of California's premier vertically-integrated cannabis companies. The Resulting Issuer’s business is expected to operate in California and Oregon through three segments:

1. Retail dispensaries;
2. Cultivation, manufacturing, production, and wholesale sales; and
3. Management advisory and administrative services to licensed cannabis businesses throughout California, enabling Harborside to generate high margin revenue streams, control shelf-space, increase brand recognition, and further integrate its supply and distribution chains.

See Item 4.1– *Narrative Description of the Business – Business of the Resulting Issuer*.

Management of the Resulting Issuer will be comprised of individuals from both the FLRish and Lineage teams with proven track records and experience in the retail cannabis industry, a number of whom will be devoting a substantial amount of their time to the Resulting Issuer.

See Item 13.11 – *Directors and Officers – Management of the Resulting Issuer.*

Concurrent Offering

FLRish entered into an Engagement Letter with AltaCorp and FMI, as Co-Lead Agents on behalf of a syndicate of Agents, to complete a Concurrent Offering of Subscription Receipts of FLRish at a Concurrent Offering Price of C$7.75 per Subscription Receipt for gross proceeds of at least C$10,000,000, assuming completion of the Minimum Offering, and up to C$70,000,000, assuming completion of the Maximum Offering. Completion of the Minimum Offering is a condition to closing of the Transaction. FLRish has granted to the Agents an Over-Allotment Option exercisable, in whole or in part, at the sole discretion of the Agents, at any time up to two business days prior to closing of the Concurrent Offering, to purchase up to an additional 15% of the number of Subscription Receipts sold pursuant to the Concurrent Offering at the Concurrent Offering Price. In the event the Over-Allotment Option is exercised in full upon completion of the Maximum Offering, FLRish will issue an additional 1,354,839 Subscription Receipts at the Offering Price for additional gross proceeds of approximately C$10,500,000. The Subscription Receipts will be convertible into one SR Share and one-half of one SR Warrant. Each SR Share and each SR Warrant will immediately be exchanged on closing of the Transaction for equivalent securities of the Resulting Issuer, being one Resulting Issuer Share and one warrant to purchase one Resulting Issuer Share.

See Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

1. GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Listing Statement including in the summary hereof. Terms and abbreviations used in the financial statements appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**40% Threshold**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**Accucanna**" means Accucanna, LLC, a California limited liability company.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below. A corporation is an "**Affiliate**" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A corporation is "**controlled**" by a Person if:

(a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and

(a) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**Agents**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering.*

"**Agris Farms**" means Walnut Oaks, LLC d/b/a Agris Farms, a California limited liability company.

"**Agris Farms Acquisition**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions.*

"**Agris Farms Term Sheet Agreement**" means the term sheet dated May 2, 2018 between Agris Farms and Lineage whereby Lineage will acquire 51% of Agris Farms with an option to acquire the remaining 49%.

"**Airfield**" means Captain Kirk Services, Inc., d/b/a Airfield Supply Co., a California corporation.

"**Airfield Acquisition**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions.*

"**Airfield Closing Payment**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions.*

"**Airfield End Date**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions.*

"**Airfield Finder Agreement**" means a consulting agreement dated August 27, 2018 between Airfield and FMICA.

"**Airfield LOI**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions.*

"**Airfield M&A Fee**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement*.

"**Airfield M&A Fee Discount**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement*.

"**Airfield Purchase Price**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement*.

"**AltaCorp**" means AltaCorp Capital Inc.

"**Altai**" means Altai Partners, LLC, a Delaware limited liability company.

"**Altai Consulting Agreement**" means the consulting agreement between Altai and FMICA entered into as of February 8, 2018.

"**Amended and Restated Escrow Agreement**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

"**Amended Articles**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – FLRish.*

"**American Redstone**" means American Redstone, Inc.

"**API**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

  (i) that Person's spouse or child, or

(ii) any relative of the Person or of his spouse who has the same residence as that Person.

"**AUMA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Awards**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**BCC**" means The Bureau of Cannabis Control, an agency of the State of California.

"**Bilodeau Bonus**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement*.

"**Branson**" means Branson Inc. prior to December 1, 2018 or Branson Ltd. on and after December 1, 2018, as the context requires.

"**Branson Agreement**" means the Old Branson Agreement prior to December 1, 2018 or the New Branson Agreement on and after December 31, 2018, as the context requires.

"**Branson Inc.**" means Branson Corporate Services Inc.

"**Branson Ltd.**" means Branson Corporate Services Ltd.

"**Bridge Loan**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities*.

"**Broker Warrant**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Recent Developments.*

"**Brothers**" has the meaning ascribed thereto in Item 19.1 – *Legal Proceedings – Jeff Brothers.*

"**Brothers Arbitration**" has the meaning ascribed thereto in Item 19.1 – *Legal Proceedings – Jeff Brothers.*

"**CBD**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**CD Closing Date**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**CD Units**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"CD Unit Offering" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**CD Unit Offering Price**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**CD Unit Warrant**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**Co-Lead Agents**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

"**Coattail Agreement**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer – Take-Over Bid Protection*.

"**COA**" means a Certificate of Analysis.

"**Coattail Agreement**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer – Take-Over Bid Protection.*

"**Cole Memorandum**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**Concurrent Offering**" means the private placement offering of Subscription Receipts of FLRish to be completed concurrently with the closing of the Transaction, as more fully described in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering.*

"**Concurrent Offering Price**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering.*

"**Controlled Substances Act**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally.*

"**Consolidation**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – The Transaction.*

"**Consolidation Ratio**" means 41.8181818182 issued and outstanding pre-Consolidation Lineage Common Shares for every one issued and outstanding post-Consolidation Lineage Common Share.

"**Conversion Price**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**Conversion Ratio**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities.*

"**Convertible Promissory Note**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**Corporation**" or "**Lineage**" means Lineage Grow Company Ltd., an Ontario corporation, and its subsidiaries, on a consolidated basis, prior to the Transaction.

"**Corporation's Board of Directors**" means the board of directors of the Corporation.

"**CSA**" means the United States Controlled Substances Act of 1970, as amended.

"**CSE**" means the Canadian Securities Exchange.

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof.

"**CTS**" means Cannabis Tracking System.

"**CUA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

“**DeAngelo**” means Mr. Steve DeAngelo, co-founder of Harborside Oakland and Harborside San Jose and founder of FLRish.

“**DeAngelo Agreement**” has the meaning ascribed thereto in Item 15.2 – *Executive Compensation – FLRish Executive Compensation – Termination and Change of Control Benefits and Management Contracts*.

“**December 2017 Reorganization**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Reorganization Transactions*.

“**Definitive Agreement**” means the merger agreement entered into among the Corporation, Subco and FLRish on February 8, 2019, as amended on April 23, 2019 and as may be further amended.

“**Determination Date**” has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

“**Dividend Equivalent**” has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

“**DOT**” has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

“**Emtra**” means Emtra Business Services Inc., a company controlled by Mr. Peter Bilodeau.

“**Emtra Consulting Agreement**” means the consulting agreement dated April 17, 2018, whereby Bilodeau acts as CEO to Lineage.

“**Emtra Letter Agreement**” has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement*.

“**Engagement Letter**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Equity Incentive Plan**” means the equity incentive plan to be adopted at the Resulting Issuer proposes to adopt.

“**Escrowed Funds**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering.*

“**Escrow Release Conditions**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Escrow Release Deadline**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*

“**Escrow Release Notice**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**Farm MSA**” means the cultivation management service agreement between SaVaca and FFC2 (originally with Harborside Oakland) dated September 15, 2016, as amended.

“**FDA**” means the United States Federal Drug Administration.

"**FFC1**" means FFC1, LLC, a California limited liability company and an indirect wholly-owned subsidiary of FLRish (formerly FLRish Farms Cultivation 1, LLC).

"**FFC2**" means FLRish Farms Cultivation 2, LLC, a California limited liability company and a wholly-owned subsidiary of Harborside Oakland.

"**FFHC**" Foundation Financial Holdings Corp.

"**FinCEN**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**FLRish**" means FLRish, Inc., a corporation governed under the laws of California, doing business as Harborside.

"**FLRish Anti-Dilution Options**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**FLRish Anti-Dilution Shares**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**FLRish Committee**" has the meaning ascribed thereto in Item 15.2 – *FLRish Executive Compensation – Stock Option Plans and Other Incentive Plans*.

"**FLRish Convertible Debentures**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**FLRish Farms**" means FLRish Flagship Enterprises, Inc., a wholly-owned subsidiary of FLRish governed under the laws of California (formerly FLRish Farms, LLC and FLRish Farms, Inc.).

"**FLRish/FMICA Consulting Agreement**" means the advisory agreement dated February 28, 2018 between FLRish and FMICA.

"**FLRish Going Public Shares Outstanding**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**FLRish Going Public Value**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**FLRish Option Plan**" means the equity incentive plan of FLRish.

"**FLRish Options**" has the meaning ascribed thereto in Item 15.2 – *FLRish Executive Compensation – Stock Option Plans and Other Incentive Plans*.

"**FLRish Record Date**" means the record date set by the FLRish board of directors for determining the holders of FLRish Shares who may be entitled to receive FLRish Shares on settlement of the Brothers Arbitration.

"**FLRish Retail**" means FLRish Retail Management & Security Services LLC, a California limited liability company and a wholly-owned subsidiary of FLRish.

"**FLRish Shares**" means the issued and outstanding shares of FLRish.

"**FMICA Stock Success Fee**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**FLRish Underlying Shares**" means shares FLRish Series B Common Stock.

"**FMI**" means Foundation Markets Inc., the agent in the CD Unit Offering and the Concurrent Offering.

"**FMI Agency Agreement**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**FMICA**" means FMI Capital Advisory Inc.

"**Foglers**" means Fogler, Rubinoff LLP, a limited liability partnership formed under to the laws of Ontario and law firm at which Szweras is a Partner.

"**Foundation Companies**" means, collectively, FMI, FMICA, Branson Corporate Services Inc., Branson Ltd. and FFHC.

"**FPI Protective Restriction**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**Fully Reduced Airfield M&A Fee**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

"**Going Public Transaction**" includes the Transaction and means (i) a business combination between FLRish and a company whose voting securities are listed and posted for trading on a securities exchange pursuant to a reverse take-over, merger, amalgamation, share exchange, arrangement, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction; (ii) an initial public offering of the securities of FLRish on a securities exchange, or (iii) an acquisition of all of the issued and outstanding equity of FLRish in exchange for securities of a company listed and posted for trading on the CSE, the Toronto Stock Exchange or another national securities exchange in Canada or another jurisdiction.

"**Harborside Desert Hot Springs**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Recent Developments.*

"**Harborside Dispensaries**" means, collectively, Harborside Oakland and Harborside San Jose.

"**Harborside Intellectual Property**" has the meaning ascribed thereto in Item 4.1 – *Narrative Description of the Business – Business of the Resulting Issuer – Intellectual Property.*

"**Harborside Oakland**" means Patients Mutual Assistance Collective Corporation, a corporation governed under the laws of California.

"**Harborside San Leandro**" means San Leandro Wellness Solutions, Inc., a corporation governed under the laws of California.

"**Harborside San Jose**" means San Jose Wellness Solutions Corp., a non-profit mutual benefit corporation governed under the laws of California.

"**Herbiculture LOI**" means the letter of intent between Lineage and Quinsam, dated April 20, 2018, whereby Lineage would acquire a 35% interest in Herbiculture Inc. held by Quinsam.

“**Herbiculture LOI Termination Agreement**” means the termination agreement dated November 27, 2018, between Lineage and Quinsam terminating the Herbiculture LOI.

“**Higgins Agreement**” has the meaning ascribed thereto in Item 15.2 – *Executive Compensation – FLRish Executive Compensation – Termination and Change of Control Benefits and Management Contracts*.

“**Initial Holders**” means the initial holders of the Multiple Voting Shares on closing of the Transaction.

“**Inversion Conditions**” has the meaning ascribed thereto in Item – 17 *Risk Factors.*

“**ITA**” has the meaning ascribed thereto in Item 17 – *Risk Factors.*

“**Junior Notes**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

“**Lakeside**” has the meaning ascribed thereto in Item 2.2 – *Corporate Structure – Jurisdiction of Incorporation.*

“**Letter Agreement**” means the letter agreement entered into by the Corporation and FLRish dated August 12, 2018.

“**LGCLORDIS1**” means LGCLORIS1 LLC, a wholly-owned subsidiary of Lineage and the owner of the Terpene Station Portland assets.

“**LGCLORDIS2**” means LGCLORIS2 LLC, a wholly-owned subsidiary of Lineage and the owner of the Terpene Station Eugene assets.

“**Lineage**” or the “**Corporation**” means Lineage Grow Company Ltd., an Ontario corporation, and its subsidiaries, on a consolidated basis, prior to the Transaction.

“**Lineage Common Shares**” means the common shares in the capital of Lineage, prior to the Transaction.

“**Lineage Convertible Debentures**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

“**Lineage Equity Financing**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

“**Lineage Equity Financing Price**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

“**Lineage Equity Financing Warrant Price**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

“**Lineage Option Plan**” means the stock option plan of Lineage.

“**Lineage Options**” has the meaning ascribed thereto in Item 9 – *Options to Purchase Securities – Lineage Options*.

“**Lineage/FMI M&A Agreement**” means the merger and acquisition consulting agreement dated July 23, 2017 between Lineage and FMI.

“**Lineage/FMICA Consulting Agreement**” means the merger and acquisition consulting agreement dated May 9, 2018 between Lineage and FMICA, which superceded the Lineage/FMI M&A Agreement, the

Original Lineage/FMICA Consulting Agreement and the Supplemental FLRish/FMICA Consulting Agreement.

"**Listing Statement**" means this listing statement of the Corporation, including the schedules hereto, prepared in support of the listing of the Subordinate Voting Shares on the CSE.

"**LMS**" means Linnaeus Management Services, LLC, a California limited liability company.

"**LUX**" means Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary, a California corporation.

"**LUX Acquisition** " has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions.*

"**Maturity Date**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**MAUCRSA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Maximum Offering**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

"**MCRSA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Merger Options**" means the options granted by DeAngelo and Wedding to FLRish to purchase, by means of merger into subsidiaries, Harborside Oakland and Harborside San Jose.

"**Merger Option Agreements**" means the agreements containing the Merger Options.

"**METRC**" means Marijuana Enforcement Tracking Reporting Compliance, the California T&T system.

"**Minimum Offering**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

"**Minimum Share Ownership Policy**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**MOU**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**MSAs**" means, collectively, the Farm MSA and the Retail MSAs pursuant to which FLRish manages and exercises control over the Harborside Dispensaries, and MSA means any one of them.

"**Mt. Baker**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Fiscal Year Ended January 31, 2018.*

"**Mt. Baker Definitive Agreements**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Fiscal Year Ended January 31, 2018.*

"**Multiple Voting Shares**" means the multiple voting shares of the Resulting Issuer, as described in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**NEO**" means a Named Executive Officer as such term is defined in Form 51-102F6 – Statement of Executive Compensation under NI 51-102.

"**New Branson Agreement**" has the meaning ascribed thereto in Item 15.1 – *Executive Compensation – Lineage Executive Compensation.*

"**NI 51-102**" means National Instrument 51-102 – *Continuing Disclosure Obligations*.

"**Nichols Agreement**" has the meaning ascribed thereto in Item 15.2 – *Executive Compensation – FLRish Executive Compensation – Termination and Change of Control Benefits and Management Contracts*.

"**NHII**" means Nutritional High International Inc.

"**Notice of Conversion Limitation**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**OAR**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**ODA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Offering Fee**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

"**OHA**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**OLCC**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Old Branson Agreement**" has the meaning ascribed thereto in Item 15.1 – *Executive Compensation – Lineage Executive Compensation.*

"**OMMP**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Options**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**ORELAP**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Original Airfield M&A Fee**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Omnibus Fee Disclosure Agreement.*

"**Original Lineage/FMICA Consulting Agreement**" means the consulting agreement dated June 5, 2017 between Lineage and FMICA.

"**OSC Rule 56-501**" means Ontario Securities Commission Rules 56-501 – *Restricted Shares*, as amended.

"**OTC**" means Odyssey Trust Company.

"**Over-Allotment Option**" has the meaning attributed to that term at Item 3.1 - *General Development of the Business – FLRish - Concurrent Offering.*

"**Participants**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**Performance Awards**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**Person**" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Permitted Expenditures**" has the meaning given to it in the Farm MSA.

"**Permitted Holder**" means an Initial Holder, an immediate family member of the Initial Holder or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by the Initial Holder or immediate family members of the Initial Holder or which the Initial Holder or immediate family members of the Initial Holder are the sole beneficiaries thereof; or (ii) a party approved by the Resulting Issuer.

"**President's List**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

"**PTSD**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**Put Option Agreement**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

"**QEF**" has the meaning ascribed thereto in Item 10 – *Description of the Securities*.

"**Quinsam**" means Quinsam Capital Corp.

"**RBA**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**RCP Investor Member Units**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Financing Activities.*

"Record Date" means the record date set by the Lineage board of directors for determining the holders of Lineage Common Shares entitled to receive the Special Shares as stock dividend.

"**Related Person**" has the meaning attributed to it in the CSE Policies.

"**Restated Fee Agreement**" has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Omnibus Fee Disclosure Agreement*.

"**Restricted Shares**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**Resulting Issuer**" **or** "**Harborside**" means Lineage Grow Company Ltd. following completion of the Transaction, to be named "Harborside Inc."

"**Resulting Issuer Shares**" means the Subordinate Voting Shares of the Resulting Issuer following completion of the Transaction.

"**Retail JV**" means FLRish Retail JV, LLC, a California limited liability company and a wholly-owned subsidiary of Harborside Oakland.

"**Retail MSAs**" means the San Leandro MSA and the retail management service agreements between FLRish through FLRish Retail with each of Harborside Oakland, Harborside San Jose, and Accucanna with respect to the management of Harborside brand dispensaries.

"**RMDs**" has the meaning ascribed thereto in Item 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels.*

"**RSUs**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**Salinas Farm**" means the farm property leased by FFC1 and subleased to Harborside Oakland located at 26889 Encinal Road, Salinas, County of Monterey, California.

"**San Leandro MSA**" means the retail management services agreement that the owners of San Leandro Wellness Solutions, Inc., FLRish Retail JV, LLC and Grace Executive Services, LLC, agreed that San Leandro Wellness Solutions, Inc. would enter into with FLRish Retail Management & Security Services, LLC.

"**SARs**" has the meaning ascribed thereto in Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation.*

"**SaVaca**" means SaVaca, LLC, a limited liability company and a wholly-owned subsidiary of Savature governed under the laws of California.

"**Savature**" means Savature, LLC, subsequently converted to Savature, Inc., a wholly-owned subsidiary of FLRish governed under the laws of California.

"**Section 280E**" has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**Senior Notes**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Financing Activities.*

"**Series A Special Shares**" has the meaning ascribed thereto in Item 10 – *Description of the Securities – Lineage.*

"**Series B Special Shares**" has the meaning ascribed thereto in Item 10 – *Description of the Securities – Lineage.*

"**Series C Special Shares**" has the meaning ascribed thereto in Item 10 – *Description of the Securities – Lineage.*

"**Sessions Memorandum"** has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**SIDEX Debentures**" has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – Lineage – Financing Activities.*

“**Significant Interest**” has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

“**Special Shares**” has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Lineage.*

“**SR Broker Warrant**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**SR Shares**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**SR Warrants**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Staff Notice 51-352**” means Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*.

“**Subco**” means Lineage Merger Sub Inc., a wholly-owned subsidiary of the Corporation, incorporated pursuant to the laws of Delaware which will amalgamate with FLRish pursuant to the Transaction.

“**Subordinate Voting Shares**” means the subordinate voting shares of the Resulting Issuer, as described in Item 10.1 – *Description of the Securities – Resulting Issuer.*

“**Subscription Receipts**” has the meaning ascribed thereto in Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Subscription Receipt Agent**” means OTC in its capacity as subscription receipt agent appointed pursuant to the terms of the Subscription Receipt Agreement. See Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Subscription Receipt Agreement**” means the subscription receipt agreement to be entered into among the Subscription Receipt Agent, the Co-Lead Agents and FLRish governing the terms of the Subscription Receipts. See Item 3.1 – *General Development of the Business – FLRish – Concurrent Offering*.

“**Supplemental FLRish/FMICA Consulting Agreement**” means the supplemental advisory agreement dated December 3, 2018 between FLRish and FMICA.

“**Supplemental FLRish/FMICA Consulting Agreement Fee**” has the meaning ascribed thereto in Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement.*

“**Supplemental Lineage/FMICA Consulting Agreement**” means the supplemental consulting agreement dated December 15, 2017 between FLRish and FMICA.

“**T&T**” means a track-and-trace system for seed-to-sale.

“**Terpene Station**” means Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co. d/b/a Terpene Station Portland.

“**Terpene Station Convertible Notes**” has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Lineage.*

“**Terpene Station Dispensaries**” means collectively, Terpene Station Portland and Terpene Station Eugene.

"**Terpene Station Eugene**" means the dispensary operated by Terpene Station in Eugene, Oregon.

"**Terpene Station Portland**" means the dispensary operated by Terpene Station in Portland, Oregon.

"**THC**" **144701**has the meaning ascribed thereto in Item 17 – *Risk Factors.*

"**Transaction**" means the reverse takeover of the Corporation by the shareholders of FLRish, whereby FLRish will merge with Subco to become a wholly-owned subsidiary of the Corporation, as contemplated by the Definitive Agreement, and FLRish's acquisition of control for accounting purposes of the Harborside Dispensaries.

"**Trust Indenture**" means the debenture indenture dated as of October 30, 2018, as amended by the first supplemental debenture indenture dated February 6, 2019 between FLRish and the Trustee with respect to the FLRish Convertible Debentures.

"**Trustee**" means OTC, in its capacity as trustee under the Trust Indenture.

"**TSE**" means TSE Consulting, LLC, a California limited liability company.

"**TSXV**" means the TSX Venture Exchange.

"**TVGA**" means TVGA, Inc., a California corporation doing business as Accucanna.

"**U.S.**" means the United States of America.

"**U.S. Resident**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**U.S. Tax Code**" means the United States Internal Revenue Code of 1986, as amended.

"**UCC**" means Uniform Commercial Code.

"**UID**" has the meaning ascribed thereto in Item 4 – *Narrative Description of the Business*.

"**Unsuitable Person**" has the meaning ascribed thereto in Item 10.1 – *Description of the Securities – Resulting Issuer.*

"**Warrant Agent**" means OTC, in its capacity as warrant agent under the Warrant Indenture;

"**Warrant Indenture**" means the trust indenture dated as of October 30, 2018, as amended by the first supplemental warrant indenture dated February 6, 2019, between FLRish and the Trustee with respect to the CD Unit Warrants.

"**Wedding**" means Mr. dress wedding, co-founder of Harborside Oakland and Harborside San Jose.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

Lineage exists and carries on business under the name "Lineage Grow Company Ltd." The head and registered office of Lineage is located at 77 King Street West, Suite 2905, Toronto-Dominion Centre, Toronto, Ontario, Canada.

FLRish exists under the legal name "FLRish, Inc." and carries on business under the name "Harborside". Its head and registered office address is 2100 Embarcadero, Suite 202, Oakland, California, United States.

Upon completion of the Transaction, the Resulting Issuer will exist and carry on business under the name "Harborside Inc." The head office of the Resulting Issuer will be located at 2100 Embarcadero, Suite 202, Oakland, California, United States. The registered office of the Resulting Issuer will be located at 77 King Street West, Suite 2905, Toronto-Dominion Centre, Toronto, Ontario, Canada.

2.2 Jurisdiction of Incorporation

Lineage

Lineage was incorporated under the name "Starbright Venture Capital Inc." on June 3, 1999 pursuant to articles of incorporation filed under the ABCA. Pursuant to articles of amalgamation filed under the ABCA dated July 11, 2001, the Corporation and The Grasslands Entertainment Group Inc. amalgamated to form Grasslands Entertainment Inc. On December 19, 2011, the Corporation filed articles of amendment under the ABCA to consolidate its common shares on a five for one (5:1) basis. On December 20, 2011, the Corporation completed a reverse takeover with Lakeside Minerals Corp., filed articles of continuance to continue under the OBCA, and filed articles of amendment to change its name to "Lakeside Minerals Inc." ("**Lakeside**"). The Corporation consolidated its common shares on a four for one (4:1) basis pursuant to articles of amendment filed June 13, 2014. Lakeside completed a further consolidation of its common shares on a three for one (3:1) basis pursuant to articles of amendment filed November 16, 2016. On July 25, 2017, Lakeside filed articles of amendment to change its name to "Lineage Grow Company Ltd."

Lineage will file articles of amendment prior to closing of the Transaction to create the Special Shares.

FLRish

FLRish was incorporated on November 24, 2015 as a California benefit corporation under the State of California Corporations Code in the United States of America, with an authorized capital stock of 30,000,000 shares of Common Stock with par value of $0.0001 per share and 10,000,000 shares of preferred stock with par value of $0.0001 per share. On June 12, 2018, FLRish filed amended and restated articles of incorporation to increase its authorized capital stock and authorize additional classes as follows: (i) 91,000,000 shares of Common Stock comprised of 11,000,000 shares of Series A Common Stock, 40,000,000 shares of Series B Common Stock and 40,000,000 shares of Series C Common Stock; and (ii) 20,000,000 shares of preferred stock comprised of 6,250,000 shares of Series A-1 Preferred Stock and 6,250,000 shares of Series A-2 Preferred Stock.

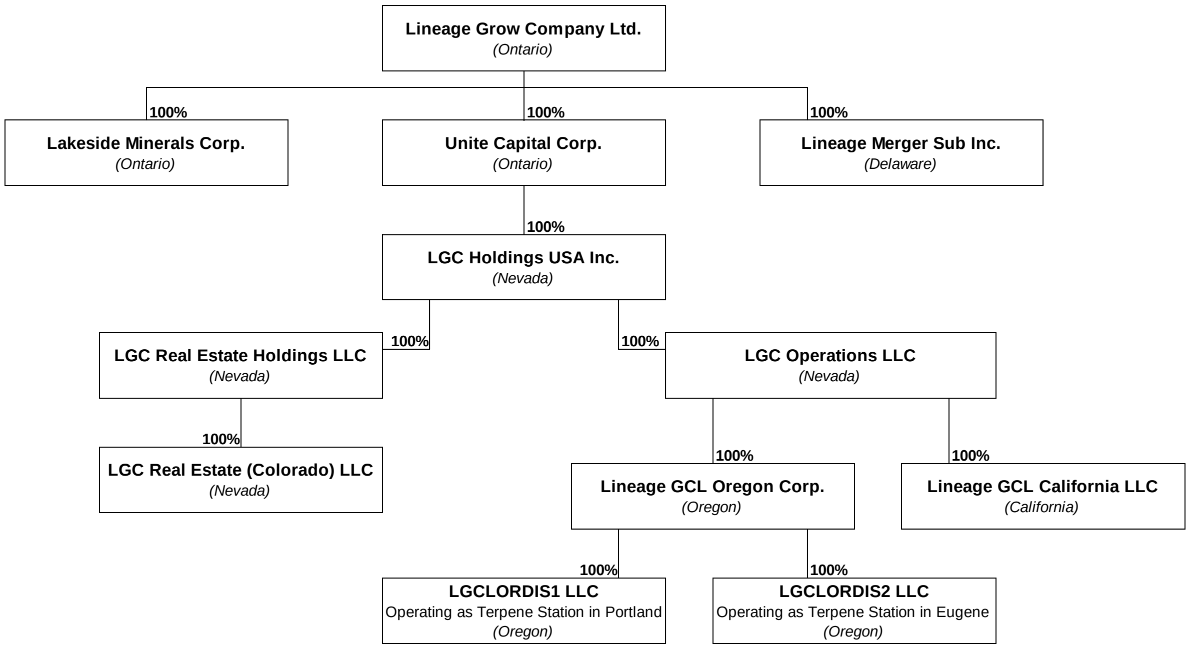
Resulting Issuer

On closing of the Transaction, Lineage will acquire the business of FLRish and FLRish will become a wholly-owned subsidiary of Lineage. Lineage will file articles of amendment to change its name to "Harborside Inc.", to effect the Consolidation, to create the Subordinate Voting Shares and Multiple Voting Shares and to reclassify the Lineage Common Shares on a post-Consolidation basis as Subordinate Voting Shares. Lineage will continue to be organized and existing under the OBCA as the Resulting Issuer.

2.3 Intercorporate Relationships

Lineage

As at the date of this Listing Application, and prior to the completion of the Transaction, Lineage has 11 wholly-owned subsidiaries, as set forth below:

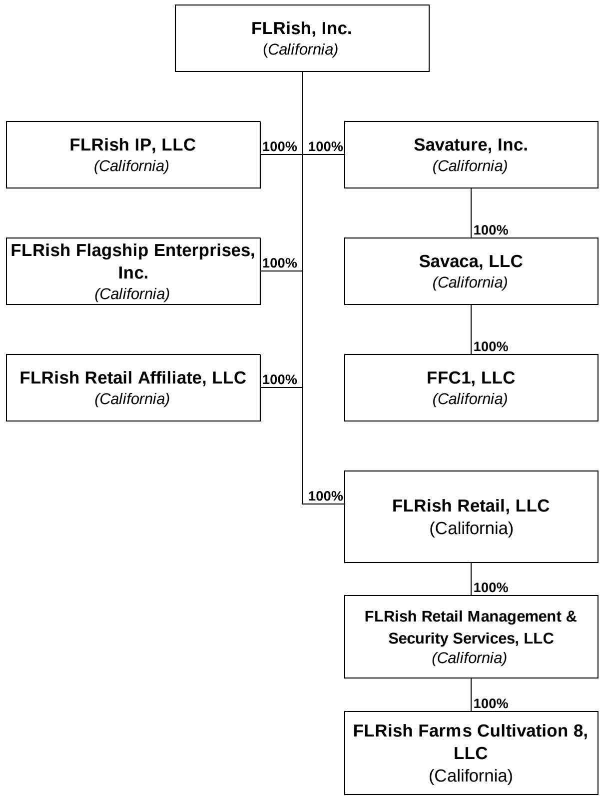


A summary of Lineage and each of the subsidiaries of Lineage is set out in the table below.

Entity	Date of Formation	Place of Incorporation	Effective Ownership by Lineage	Status
Lineage Grow Company Ltd.	Dec 20,2011	Ontario	100%	Good Standing
Lakeside Minerals Corp.	Aug 21, 2007	Ontario	100%	Good Standing
Lineage Merger Sub Inc.	November 27, 2018	Delaware	100%	Good Standing
Unite Capital Corp.	Amalgamated Jun 23, 2014	Ontario	100%	Good Standing
LGC Holdings USA Inc.	Jul 21, 2017	Nevada	100%	Good Standing
LGC Real Estate Holdings, LLC	Jul 21, 2017	Nevada	100%	Good Standing
LGC Real Estate (Colorado) LLC	Aug 14,2017	Nevada	100%	Good Standing
LGC Operations LLC	Jul 10, 2018	Nevada	100%	Good Standing
Lineage GCL California LLC	Oct 29, 2018	California	100%	Good Standing
Lineage GCL Oregon Corp.	Jan 8, 2018	Oregon	100%	Good Standing
LGCLORDIS1 LLC	Jan 8, 2018	Oregon	100%	Good Standing
LGCLORDIS2 LLC	Jan 8, 2018	Oregon	100%	Good Standing

FLRish

As at the date of this Listing Application, and prior to the completion of the Transaction, FLRish has 9 subsidiaries, as set forth below:

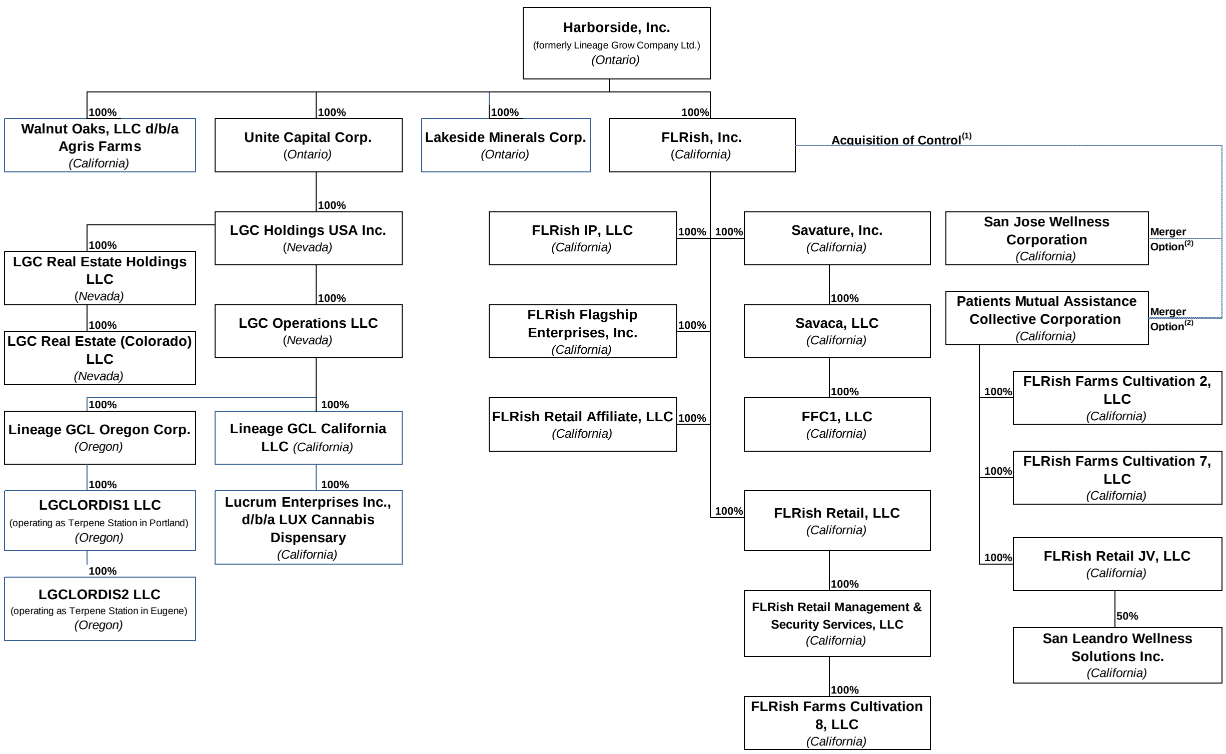


A summary of FLRish and each of the subsidiaries of FLRish is set out in the table below.

Entity	Date of Formation	Place of Incorporation	Effective Ownership by FLRish	Status
FLRish, Inc.	November 24, 2015	California	N/A	Good standing
FLRish IP, LLC	September 1, 2017	California	100%	Good standing
FLRish Retail, LLC	January 26, 2016	California	100%	Good standing
FLRish Retail Management & Security Services, LLC	April 3, 2016	California	100%	Good standing
Savature, Inc. (formerly Savature, LLC)	September 15, 2016	California	100%	Good standing
SaVaca, LLC	January 8, 2016	California	100%	Good standing
FLRish Farms Cultivation 8, LLC	March 21, 2016	California	100%	Good standing
FLRish Retail Affiliate, LLC	June 2, 2018	California	100%	Good standing
FFC1, LLC (formerly FLRish Farms Cultivation 1, LLC)	March 21, 2016	California	100%	Good standing
FLRish Flagship Enterprises, Inc. (formerly FLRish Farms, Inc.)	May 29, 2015	California	100%	Good standing

Resulting Issuer

Upon completion of the Transaction, exercise of the Merger Options, and completion of the purchase of Agris and Lux, the Resulting Issuer will have 21 subsidiaries, as set out in the diagram below. Unless otherwise noted, (i) all information presented on the Resulting Issuer assumes the closing of the Transaction, (ii) all solid lines represent 100% ownership of outstanding securities of the applicable subsidiary; (iii) all broken lines represent control of the applicable entity.



Notes:

(1) FLRish entered into a series of agreements with the Harborside Dispensaries and the shareholders of Harborside Dispensaries (the "**Merger Option Agreements**"), pursuant to which FLRish manages and operates the business of the Harborside Dispensaries. The Merger Option Agreements also provide FLRish with Merger Options acquire 100% of the equity ownership in the Harborside Dispensaries, subject to certain conditions being met (see Item 3.2 – *Significant Acquisitions – FLRish*). As a result of the Merger Option Agreements and Merger Options, taken together, on closing of the Transaction the Resulting Issuer will be considered to have "control" over the business of the Harborside Dispensaries for accounting purposes, to enable consolidation of Harborside Dispensaries' financial statements into the financial statements of the Resulting Issuer pursuant to Canadian generally accepted accounting principles. If the Merger Options are exercised, the Resulting Issuer will also acquire legal control and ownership of the Harborside Dispensaries. If the Merger Options are not exercised, the Resulting Issuer will nonetheless continue to have "control" over the Harborside Dispensaries for accounting purposes. For clarity, control for accounting purposes is distinct from the concept of legal control, which is based on equity ownership and a majority of voting rights.

The Merger Option Agreements that will establish the Resulting Issuer's control over the Harborside Dispensaries are as follows:

(i) the Merger Option Agreement dated January 7, 2019 between FLRish, FLRish Farms, DeAngelo, and Wedding with respect to a Merger Option granted by DeAngelo to FLRish to acquire DeAngelo and Wedding's ownership interest in the Harborside Oakland dispensary**,** and with respect to FLRish's voting control over shares held by DeAngelo and Wedding in Harborside Oakland with respect to the election of directors (see Item 3.2 – *Significant Acquisitions – FLRish* for additional information);

(ii) the Merger Option Agreement dated January 7, 2019 between FLRish, FLRish Farms, DeAngelo, and Wedding with respect to a Merger Option granted by DeAngelo to FLRish to acquire DeAngelo and Wedding's ownership interest in the Harborside San Jose dispensary**,** and with respect to FLRish's voting control over shares held by DeAngelo and Wedding in Harborside San Jose with respect to the election of directors (see Item 3.2 – *Significant Acquisitions – FLRish* for additional information); (iii) the Farm MSA pursuant which FLRish manages the cultivation operations of Harborside Oakland (see Item 4 – *Narrative Descriptions of the Business – Business of FLRish – Wholesale Division* for details of the Farm MSA);

(iii) the retail MSAs pursuant which FLRish manages the retail operations of Harborside Oakland and Harborside San Jose (see Item 4 – *Narrative Descriptions of the Business – Business of FLRish – Retail Division* for details of the retail MSAs);

(2) Assuming all conditions precedent are satisfied and the Merger Options are exercised by the Resulting Issuer following completion of the Transaction, the Resulting Issuer will have 100% ownership interest in the Harborside Dispensaries.

2.4 Fundamental Change

See Item 3.1 – *General Development of the Business – The Transaction.*

2.5 Non-corporate Corporations and Corporations incorporated outside of Canada

Not applicable.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

FLRish

In 2006, DeAngelo and Wedding established Harborside Oakland as a compliant medical cannabis dispensary in Oakland, California and began doing business as Harborside. In 2012, DeAngelo and Wedding established Harborside San Jose as a compliant medical cannabis dispensary in San Jose, California and began doing business under the Harborside brand. At the time, California and local regulations required that both the Harborside Oakland and Harborside San Jose dispensaries operate on a not-for-profit basis, limiting their ability to raise funds independently to invest in cultivation facilities to achieve their goal of vertical integration.

In 2015, leveraging many years of Bay Area retail dispensary operating expertise of Harborside Oakland and Harborside San Jose, DeAngelo and Wedding co-founded FLRish as a for-profit company to raise funds and provide management, infrastructure, and financial services to Harborside Oakland and Harborside San Jose and to the legal medical cannabis industry. FLRish also partnered with Harborside Oakland to develop a cultivation facility to produce clean, high-quality cannabis to sell to the dispensaries' patients and the medical cannabis industry.

Fiscal Year Ended December 31, 2016

On May 11, 2015, FLRish, through an affiliate, Sungrown Farms, LLC, obtained a purchase option on the Salinas Farm. The option to purchase the Salinas Farm for a purchase price of US$3,400,000 was transferred to a subsidiary of FLRish for no consideration. Jeff Brothers, a principal of Sungrown Farms, LLC, was paid a development fee of US$600,000 in connection with this transaction. Proceeds from the sale of US$10,000,000 in equity interests to LMS were used for the development of the Salinas Farm. The option to purchase the Salinas Farm was later contributed to FFC1, a subsidiary of Savature, in exchange for the costs incurred by Sungrown Farms, LLC. FLRish leased the Salinas Farm to tenant farmer Harborside Oakland on September 15, 2016, and also entered into a cultivation management services agreement with Harborside Oakland on September 15, 2016. Harborside Oakland became the tenant farmer and began cultivating cannabis at the property in compliance with local and state laws, as FLRish invested funds to improve the facility's infrastructure as part of the landlord/head tenant improvements.

Harborside Oakland secured and maintained the necessary local and state approvals to cultivate cannabis on the property and to sell cannabis to its own patients, to Harborside San Jose, and other dispensaries in compliance with applicable state and local laws. In connection with the above, FLRish received lease and management services payments from Harborside Oakland. See Item 4.1 – *Narrative Description of the Business – Business of FLRish* and Item 4.1 – *Narrative Description of the Business – Business of Resulting Issuer* for more details.

FLRish entered into retail MSAs with each of Harborside Oakland and Harborside San Jose in August 2016, which agreements were memorialized on September 22, 2017. Under these agreements, FLRish received a portion of top-line revenue (in addition to the lease and management services payments) from the dispensaries in exchange for managing 'back-of-house' services for both the Harborside Oakland and Harborside San Jose dispensary locations. See Item 4.1– *Narrative Description of the Business – Business of FLRish* for more details.

<u>Fiscal Year Ended December 31, 2017</u>

In July 2017, FLRish's subsidiary Savature executed a sale/leaseback transaction in which Savature sold the Salinas Farm for US$9,080,000 in an arm's length transaction and entered into a long-term lease with the new property owner. Proceeds from the sale were utilized to fund farm improvements. In addition, concurrent with this sale/leaseback transaction, FLRish's farm subsidiary Savature obtained a US$9,300,000 delayed-draw credit facility to fund farm improvements. Savature drew-down the remaining principal balance of this facility in May 2018.

In September 2017, FLRish purchased the "Harborside" brand, marks, and all proprietary intellectual property from Oots, LLC, a third party transaction specific entity that had purchased the same from Harborside Oakland, in exchange for a reduction in MSA service fees from 20% of net revenue to 15% of net revenue, as well as a retained right to use, without fee, the brand for retail operations by both Harborside Oakland and Harborside San Jose.

In 2017, FLRish entered into an agreement to acquire 100% of FFC2 from Harborside Oakland. FFC2 retained ownership of all licenses, including 14 adult use Mixed Light Tier II and 8 medical Mixed Light Tier II licenses, Manufacturing (Type P) for adult and medical, and an adult and medical nursery license, that are associated with cultivating, processing, and wholesaling cannabis products produced at the cultivation facility at the Salinas Farm.

On December 25, 2017, FLRish sold Retail JV to Harborside Oakland. Retail JV owns 50% of the stock of Harborside San Leandro. Harborside San Leandro owns the entitlements on a retail dispensary in the City of San Leandro (other entitlements on the site include a retail operating license, conditional use permit, permitted construction plans, a lease, and manufacturing). This sale of Retail JV along with its Harborside San Leandro interests to Harborside Oakland occurred at a purchase price of $3,000,000. The Harborside San Leandro and Retail JV equity interests were retained as security for the purchase price. The purchase price was payable only out of distributions from Harborside San Leandro to Retail JV. As part of a revenue deferral amendment, the right to rescind this sale was issued to FLRish in exchange for the return of any payments made by Harborside Oakland of the sale price. Alternatively, as Harborside Oakland owns Retail JV the exercise of the Merger Option would result in an equivalent result.

<u>Recent Developments</u>

On February 5, 2018, Mr. Andrew Berman was appointed acting Chief Executive Officer of FLRish, replacing DeAngelo. On March 12, 2018, Mr. Berman was appointed Chief Executive Officer of FLRish.

On February 24, 2018, Savature entered into a Cultivation Consulting Agreement with TSE pursuant to which TSE would provide cultivation management services as a contractor at the Salinas Farm. TSE is paid a base rate of US$100,000 per month which covers employment of onsite staff by TSE as well as performance-based compensation varying from 2.5% to 3.75% of wholesale gross revenue and potential compensation for genetics developed by TSE. This agreement terminates on June 30, 2020.

On February 28, 2018, FMICA, a Canadian investment banking group, and FLRish executed a consulting agreement whereby FMICA would provide merger and capital raising consulting services. FMICA is compensated by means of a monthly fee in the amount of C$15,000 and a success fee for either an M&A transaction based on the transaction value, which is payable by the issuance of Lineage Common Shares. The agreement may be terminated after December 31, 2018.

On March 12, 2018, FLRish entered into a one-year advisory agreement, which is now expired, with Mr. Roger Jenkins, the manager of LMS, to provide capital strategy and advice, to assist with investor relations, and to assist in FLRish's US$6,500,000 Series A round financing which was completed on April 30, 2018. Jenkins continues to provide advice and support for forward-looking capital strategies. The agreement provided for the reimbursement of expenses and the grant of options to acquire 240,000 shares of Series A Common Stock with an exercise price of US$4.15.

On April 19, 2018, FLRish entered into a retail MSA with TVGA pursuant to which FLRish agreed to manage a retail dispensary owned by TVGA located at 66205 Paul Road, Desert Hot Springs, California ("**Harborside Desert Hot Springs**"). On December 12, 2018, the MSA was assigned by TVGA to Accucanna by way of written amendment. The term of the MSA is five years with two automatic five year renewals for a total of 15 years. See Item 4.1 - *Narrative Description of the Business – Business of FLRish* for more details.

On April 29, 2018, FLRish Farms entered into a merger agreement, as amended, with LMS to purchase and merge LMS's 31.5% interest in Savature into FLRish Farms. Pursuant to the plan of reorganization: Savature, LLC converted to Savature, Inc.; Savature, Inc. issued 64 shares to LMS and 36 shares to FLRish Farms LLC; FLRish Farms, LLC converted to FLRish Farms, Inc.; FLRish Farms, Inc. and Savature, Inc. merged with Savature, Inc. as the surviving entity. FLRish issued 11,156,626 shares of Series B Common Stock to LMS in exchange for its stock in Savature Inc. Pursuant to the plan of reorganization, FLRish Farms, LLC converted to FLRish Farms, Inc. and Savature, LLC converted to Savature, Inc.

Pursuant to the terms of the merger agreement, Savature elected to be taxed as a corporation as of March 31, 2018. On May 25, 2018, the membership interests of Savature held by LMS were exchanged for 64 common voting shares of Savature and the membership interests of Savature held by FLRish Farms were exchanged for 36 common voting shares of Savature, Inc.; FLRish Farms, LLC converted to FLRish Farms, Inc.; FLRish Farms, Inc. and Savature, Inc. merged with Savature, Inc. as the surviving entity; FLRish issued 11,156,626 shares of Series B Common Stock to LMS in exchange for LMS's stock in Savature Inc., resulting in Savature being wholly-owned by FLRish. The plan of reorganization was completed in July 2018, and FLRish secured 100% ownership of Savature Inc.

In April and September 2018, FLRish entered into agreements with DeAngelo and Wedding, the founders of Harborside Oakland and Harborside San Jose, which provided FLRish with the option to acquire 100% of the Harborside Oakland dispensary and 100% of Harborside San Jose dispensary.

On August 13, 2018, Lineage and FLRish announced that they had entered into the Letter Agreement pursuant to which FLRish agreed to effect a reverse takeover transaction that, if completed, would result in, among other things, Lineage acquiring all of the issued and outstanding securities of FLRish in exchange for newly issued Lineage securities. The Transaction will be a "fundamental change" under the policies of the CSE. As a result of this announcement, trading of the Lineage Common Shares (CSE:BUDD) was halted on the CSE. Pending shareholder and CSE approval, the Resulting Issuer Shares are expected to commence trading on the CSE following completion of the Transaction.

On December 3, 2018, FMICA and FLRish entered into an advisory agreement whereby FMICA would provide additional consulting services to FLRish in addition to those contemplated under the consulting agreement dated February 28, 2018. In consideration of the additional services provided by FMICA pursuant to the agreement, FMICA is entitled to cash fees equal to an aggregate of C$1,000,000 and 143,241 broker warrants (each, a "**Broker Warrant**"). Each Broker Warrant is exercisable into one FLRish Underlying Share at an exercise price of C$6.90 per share until the earlier of 60 months from December 3, 2018 and 24 months from the completion of a Going Public Transaction, subject to adjustment and/or acceleration in certain circumstances.

<u>Reorganization Transactions</u>

Merger of Savature with FLRish Farms

On April 29, 2018, FLRish Farms entered into a merger agreement, as amended, with LMS to purchase and merge LMS's 31.5% interest in Savature into FLRish Farms. The merger of Savature and FLRish Farms was structured as a reverse triangular merger in which FLRish Farms merged into Savature, with Savature as the surviving entity.

FLRish issued 11,156,626 shares of Series B Common Stock to LMS in exchange for its stock in Savature. Subsequent to the merger, FLRish Farms, LLC converted to FLRish Farms, Inc. and Savature, LLC converted to Savature, Inc.

Pursuant to the terms of the merger agreement, Savature elected to be taxed as a corporation as of March 31, 2018. On May 25, 2018, the membership interests of Savature held by LMS were exchanged for 64 common voting shares of Savature. FLRish Farms received 36 common voting shares of Savature, resulting in Savature being wholly-owned by FLRish. The plan of reorganization was completed in July 2018, and FLRish secured 100% ownership of FLRish Farms.

The December 2017 Reorganization

During the fourth quarter of 2017 concerns regarding the increasing scope of work being conducted by FLRish on behalf of Harborside Oakland and Harborside San Jose that were not compensated for in the MSAs were raised by FLRish. Particularly, FLRish had been providing significant inputs in the form of personnel time and effort toward preparing for and licensing of Harborside Oakland and Harborside San Jose activities and preparing those entities for regulatory changes.

As a result, a reorganization of the relationships between Harborside Oakland and Harborside San Jose and the FLRish subsidiaries providing services was proposed to cover the costs and risks associated with the increased services (the "**December 2017 Reorganization**"). As part of the December 2017 Reorganization the following actions occurred:

- Sale by FLRish of the following entities to Harborside Oakland that were not in use: FLRish Farms Cultivation 7, LLC and FFC2;
- Granting to FLRish a purchase option for $1,000 on FFC2, which would hold all cannabis licenses related to the Salinas Farm property;
- Amendment of Farm MSA and lease on the Salinas Farm property to identify FFC2, and an additional agreement to the third party head lease on the Salinas Farm to identify FFC2 as the proper party for wholesale activities;
- A restructuring of the agreement relating to the use by Harborside Oakland and Harborside San Jose of the "Harborside" marks (for further information, see Item 4.1 – *Narrative Description of the Business - Business of the Resulting Issuer - Intellectual Property*); and
- The sale of Retail JV to Harborside Oakland for $3,000,000 payable out of distributions from Harborside San Leandro (an entity holding a retail cannabis permit in San Leandro, California).

On June 14, 2018, as part of a revenue deferral amendment that deferred the recognition of revenue for the purposes of delaying FLRish charging fees to Harborside Oakland, FLRish Retail was granted a right to rescind the sale of Retail JV as well as a guarantee by Harborside Oakland of the FFC2's debts arising from the Farm MSA.

Harborside Dispensaries Tax Cases

Harborside Oakland is involved in three U.S. Tax Court cases related to Harborside Oakland's fiscal years ended July 31, 2007, 2008, 2009, 2010, 2011 and 2012 which were consolidated for trial and briefing. Each of these cases involve the application of Section 280E to Harborside Oakland's business.

On November 30, 2018, the U.S. Tax Court ruled that Section 280E applies to any business which consists of trafficking in a controlled substance, and such businesses may not deduct their ordinary and necessary business expenses. Based on pre-trial stipulations pertaining to the above-referenced cases, Harborside Oakland expects the tax liability (the Tax Court has declined to impose any penalties) for the tax periods identified in this section is US$11 million to US$13 million; this estimate does not include interest.

Harborside San Jose is involved in two pending U.S. Tax Court cases related to Harborside San Jose's fiscal years ended October 31, 2010, 2011, 2012, 2014, and 2015, which were consolidated for trial and briefing. These cases involve the application of Section 280E to Harborside San Jose's business. The Harborside San Jose cases were stayed before the U.S. Tax Court pending the outcome of the above-described Harborside Oakland tax cases. Harborside San Jose estimates that the deficiencies in tax and penalties asserted by the IRS, not including interest calculations, will be approximately US$4.37 million.

See Item 19.1 – *Legal Proceedings – Harborside Dispensaries Tax Cases* for further details.

Sale and Option on Farm License Holder

On December 25, 2017, FLRish sold FFC2 to Harborside Oakland, and secured and transferrable purchase option to repurchase FFC2 for the purpose of maintaining farm and wholesale relationships in an entity that can be purchased by FLRish in a “roll up” or transferred in the event Harborside Oakland dissolves or otherwise is unable to perform under the Farm MSA.

At the time of sale, FFC2 was a non-operating company with no assets. It was transferred to Harborside Oakland for the purposes of holding the cannabis licenses. As part of this sale Harborside Oakland amended its Farm MSA to name FFC2 as the counterparty. The purchase option can be exercised or transferred to another entity to maintain operations.

Pipeline Transactions

FLRish is actively pursuing growth opportunities to expand its portfolio in the medical and adult use cannabis industry in the San Francisco Bay Area. FLRish currently has one transaction in its pipeline.

On October 1, 2018, FLRish entered into a letter of intent (the “**Airfield LOI**”) with Airfield to acquire Airfield (the “**Airfield Acquisition**”). The Airfield Acquisition includes the proposed acquisition of shares and related intellectual property assets of an integrated cannabis retail dispensary and cultivation facility located in San Jose, California operating under the “Airfield Supply Co.” brand name, with a 2,000 square-foot aviation themed retail store and a 10,000 square-foot cultivation area.

The Airfield Acquisition is structured as a share purchase transaction, with a total purchase price of US$41,800,000 subject to certain adjustments, payable as follows: i) a non-refundable deposit of US$1,000,000 payable in cash on and subject to the execution of the definitive agreement pertaining to the Airfield Acquisition; ii) a subsequent cash payment or deposit into escrow of the remainder of the purchase price, $2,090,000 of which shall remain in escrow to account for possible adjustments to the purchase price based on Airfield's annual revenue and EBITDA for the year ended December 31, 2018,and an additional US$2,090,000 shall remain in escrow as security for payment of any indemnification obligations of the selling shareholder of Airfield which may arise following closing of the Airfield Acquisition.

Completion of the Airfield Acquisition is subject to satisfactory completion of due diligence, execution of a definitive agreement, closing of the Transaction, FLRish raising more than US$60,000,000 in the Concurrent Offering, and all required approvals and consents, including the approval of FLRish shareholders and the applicable local and state regulatory agencies for the transfer of the retail, cultivation and distribution licences under which Airfield operates. There can be no assurance that the Airfield Acquisition will be completed as proposed or at all.

FMICA has been retained by Airfield, pursuant to the Airfield Finder Agreement to introduce buyers in connection with a potential sale of Airfield in exchange for a fee for such services. Please see *Item 20 – Interest of Management and Other Material Transactions - Restated Fee Agreement* for details regarding fees payable to FMICA in connection with the Airfield Acquisition.

Business of Airfield

Airfield is a fully licensed, vertically integrated cannabis retail dispensary and cultivation facility located in San Jose, California operating under the "Airfield Supply Co." brand name, with a 2,000 square-foot aviation themed retail store and a 10,000 square-foot cultivation area, operated by approximately 125 employees. Airfield is located in close proximity to the San Jose International Airport as well as Santa Clara University and Silicon Valley.

Acquisition Date

The Airfield Acquisition is expected to occur within 12 months of completion of the Transaction, subject to the satisfaction of certain closing conditions. Completion of the Airfield Acquisition is subject to satisfactory completion of due diligence, execution of a definitive agreement, closing of the Transaction, FLRish raising more than US$60,000,000 in the Concurrent Offering, and all required approvals and consents, including the approval of FLRish shareholders and the applicable local and state regulatory agencies for the transfer of the retail, cultivation and distribution licences under which Airfield operates. There can be no assurance that the Airfield Acquisition will be completed as proposed or at all.

Consideration

The total purchase price for the Airfield Acquisition is US$41,800,000, subject to certain adjustments and escrows, including a potential upward adjustment to the purchase price, payable 50% in cash and 50% in stock, if and to the extent that Airfield's revenue and EBITDA for the calendar year 2018 exceed certain thresholds, in each case as summarized above and subject to the terms and conditions of the definitive agreement pertaining to the Airfield Acquisition.

Financing Activities

Senior Notes

Between December 15, 2015 and July 28, 2016, FLRish issued convertible promissory notes bearing 8% interest per annum with a principal face value in the aggregate of US$6,000,000 in exchange for US$6,000,000 in cash ("**Senior Notes**"). The Senior Notes principal and accrued interest were convertible at the election of the noteholder or upon a qualified equity financing of US$5,000,000 with a valuation cap of US$25,000,000. No principal or interest payments were made prior to conversion.

Savature Financing

In September 2016, FLRish, through Savature, raised US$10,000,000 to acquire and improve the Salinas Farm, a 47 acre parcel in Salinas, California. The facility included existing greenhouses that supported approximately 3 acres of cultivation canopy but would require considerable upgrades to produce cannabis. The investors who funded the US$10,000,000 received a 31.5% interest in Savature, the indirect owner of the farm real property, and FLRish retained the remaining 68.5% majority interest in Savature.

Junior Notes

Between November 22, 2016 and June 9, 2017, FLRish issued convertible promissory notes bearing 12% interest per annum with a principal face value in the aggregate of US$3,660,000 in exchange for US$3,660,000 in cash (the "**Junior Notes**"). The Junior Notes principal and accrued interest were convertible at election of the noteholder or upon a qualified equity financing of US$5,000,000 with a valuation cap of US$50,000,000. No principal or interest payments were made prior to conversion.

Convertible Promissory Note

On December 19, 2017 FLRish issued a promissory note with a face value of US$1,000,000 and bearing interest at a rate of 1% per month (the "**Convertible Promissory Note**") to Murray Field & Company, LLC, a company owned by Roger Jenkins, in exchange for US$1,000,000 in cash which, pursuant to its terms, was convertible into shares of Series A-1 Preferred Stock upon FLRish raising US$4,000,000 in equity financing. On April 30, 2018, FLRish raised US$4,000,000 through the sale of Series A Preferred Stock and the principal Convertible Promissory Note converted automatically, with accrued interest paid in cash.

Series A-1 Preferred Stock

On April 30, 2018, FLRish closed a US$6,500,000 Series A-1 Preferred Stock financing. This financing triggered the conversion of FLRish's Senior Notes and Junior Notes into shares of Series A-1 Preferred Stock. The Series A Preferred Stock financing also triggered the conversion of the US$1,000,000 principal promissory into shares of Series A-1 Preferred Stock, and accrued interest was paid in cash.

CD Unit Offering

In October and November of 2018 and February of 2019, FLRish completed a private placement ("**CD Unit Offering**") of 37,228 units of FLRish (the "**CD Units**") at a price of C$1,000 per CD Unit (the "**CD Unit Offering Price**") for aggregate gross proceeds of C$37,228,000**.** Pursuant to an agency agreement dated October 30, 2018 (the "**FMI Agency Agreement**"), as amended on February 4, 2019, FMI agreed to act as agent in connection with the issuance and sale of CD Units issued and sold to non-U.S. purchasers pursuant to the CD Unit Offering.

On October 30, 2018, FLRish completed the initial closing of the CD Unit Offering with the issuance and sale of 6,212 CD Units at the CD Unit Offering Price for aggregate gross proceeds of C$6,212,000. On November 16, 2018, FLRish completed the second closing of the CD Unit Offering with the issuance and sale of 28,566 CD Units at the CD Unit Offering Price for aggregate gross proceeds of C$28,566,000. On February 6, 2019, FLRish completed the third closing of the CD Unit Offering with the issuance and sale of 2,450 CD Units at the CD Unit Offering Price for aggregate gross proceeds of C$2,450,000.

Each CD Unit issued pursuant to the CD Unit Offering consisted of unsecured convertible debentures sold in units of C$1,000 principal amount and bearing 12.0% interest per annum (a "**FLRish Convertible Debenture**") and 87 warrants of FLRish (each, a "**CD Unit Warrant**").

The FLRish Convertible Debentures bear interest at a rate of 12.0% per annum from their date of issuance, payable, semi-annually in arrears, with the first interest payment due on December 31, 2018. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The first interest payment will represent accrued interest from and including the date of issuance to, but excluding, the interest payment date. The interest shall be payable in cash or by issuing FLRish Underlying Shares at a price of C$6.90 per share against the amount of interest due, at the sole option of FLRish. The FLRish Convertible Debentures will mature on October 30, 2021 (the "**Maturity Date**"). The principal amount of each FLRish Convertible Debenture will be convertible into FLRish Underlying Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date and automatically upon completion of a Going Public Transaction at a conversion price equal to the lower of:

(a) C$6.90; or (b) a 10% discount to FLRish's share price at listing for a financing equal to C$5,000,000 or greater, subject to adjustment in certain customary events. Holders converting their FLRish Convertible Debentures will receive accrued and unpaid interest thereon, in cash or in FLRish Underlying Shares, at the option of FLRish, for the period from, and including, the date of the latest interest payment date to, and including, the date of conversion. FLRish has the right to prepay the principal amount of the FLRish Convertible Debentures at any time. An aggregate of C$37,228,000 principal amount of FLRish Convertible Debentures are governed by the Trust Indenture. An additional aggregate of C$8,624,000 principal amount of FLRish Convertible Debentures, which were issued in settlement of certain debts of FLRish, are governed by a debenture indenture dated as of February 6, 2019.

On January 1, 2019, an aggregate of 80,589 FLRish Underlying Shares were issued and an aggregate of C$629.53 in cash was paid to holders of FLRish Convertible Debentures in satisfaction of the first interest payment.

Each CD Unit Warrant is exercisable into one FLRish Underlying Share at a price of C$8.60 per share until 5:00 p.m. (Toronto time) on October 30, 2020, subject to adjustment and/or acceleration in certain circumstances. The CD Unit Warrants are governed by the Warrant Indenture.

On the initial closing of the CD Unit Offering, pursuant to the terms of the FMI Agency Agreement, FLRish paid a cash commission to FMI equal to 7% of the aggregate proceeds of sales of the CD Units to non-U.S. purchasers and issued 63,019 broker warrants (the “**Broker Warrants**”). On the second closing of the CD Unit Offering, FLRish paid a cash commission to FMI equal to 7% of the aggregate proceeds of sales of the CD Units to non-U.S. purchasers and issued 105,284 Broker Warrants. Each Broker Warrant issued in connection with the CD Unit Offering is exercisable into one FLRish Underlying Share at an exercise price of C$6.90 per share until the earlier of 60 months from the date of issuance and 24 months from the completion of a Going Public Transaction, subject to adjustment and/or acceleration in certain circumstances.

Concurrent Offering

FLRish entered into an engagement letter dated April 5, 2019 (the “**Engagement Letter**”) with AltaCorp Captial Inc. (“**AltaCorp**”) and FMI (together with AltaCorp, the “**Co-Lead Agents**”) on behalf of a syndicate of agents (together with the Co-Lead Agents, the “**Agents**”) to complete a brokered private placement offering (the “**Concurrent Offering**”) of subscription receipts of FLRish (each, a “**Subscription Receipt**”) at a price of C$7.75 per Subscription Receipt (the "**Concurrent Offering Price**"), for minimum gross proceeds of at least C$10,000,000 from the sale of 1,290,323 Subscription Receipts (the "**Minimum Offering**") and maximum gross proceeds of up to C$70,000,000 from the sale of 9,032,258 Subscription Receipts (the "**Maximum Offering**"). In connection with the Concurrent Offering, FLRish has granted to the Agents an option (the "**Over-Allotment Option**") exercisable, in whole or in part, at the sole discretion of the Agents, at any time up to two business days prior to closing of the Concurrent Offering, to purchase up to an additional 15% of the number of Subscription Receipts sold pursuant to the Concurrent Offering at the Concurrent Offering Price. In the event the Over-Allotment Option is exercised in full upon completion of the Maximum Offering, FLRish will issue an additional 1,354,839 Subscription Receipts at the Offering Price for additional gross proceeds of approximately C$10,500,000 (aggregate gross proceeds of approximately $80,500,000).

The Subscription Receipts will be governed by the terms of a Subscription Receipt Agreement to be entered into among the Co-Lead Agents, FLRish and OTC, as Subscription Receipt Agent. Upon the satisfaction or waiver of all Escrow Release Conditions (as defined below), including but not limited to closing of the Transaction, each Subscription Receipt will be automatically converted, without payment of any additional consideration and with no further action on the part of the holder, into one share of FLRish Series D Common Stock (each, an "**SR Share**") and one-half of one FLRish warrant (each whole warrant, an "**SR Warrant**"). Each SR Warrant will entitle the holder thereof to purchase one SR Share at an exercise price of C$9.70 per share for a period of two years following closing of the Concurrent Offering, subject to adjustment in certain circumstances. Each SR Share and each SR Warrant will immediately be exchanged on closing of the Transaction for equivalent securities of the Resulting Issuer, being one Resulting Issuer Share and one warrant to purchase one Resulting Issuer Share. Following completion of the Transaction, in the event that the volume weighted average trading price of the Resulting Issuer Shares on the CSE for 10 consecutive trading days exceeds C$14.50, the Resulting Issuer will have the right to accelerate the expiration date of the SR Warrants upon not less than 15 trading days' prior written notice. The SR Warrants will be governed by the terms of a warrant indenture to be entered into among the Co-Lead Agents, FLRish, Lineage and OTC, as warrant agent.

Under the terms of the Engagement Letter, the Agents have been appointed to act as financial advisors and agents in connection with the Concurrent Offering on a best efforts basis. The Agents will receive an aggregate cash fee (the "**Offering Fee**") equal to 7% of the gross proceeds of the Concurrent Offering and such number of broker warrants (the "**SR Broker Warrants**") as is equal to 7% of the number of Subscription Receipts issued pursuant to the Concurrent Offering. Each SR Broker Warrant will be exercisable to purchase one SR Share at the Concurrent Offering Price for a period of 24 months following the closing of the Concurrent Offering. The SR Broker Warrants will be exercisable only following the satisfaction of the Escrow Release Conditions. Each SR Broker Warrant will immediately be exchanged on closing of the Transaction for an equivalent broker warrant of the Resulting Issuer.

Proceeds raised from purchasers sourced by FLRish and set out in a president's list delivered to and agreed by AltaCorp in advance of closing of the Concurrent Offering (the "**President's List**") shall be subject only to a cash fee equal to 3% of the gross proceeds received from such President's List subscriptions. No Offering Fee shall be paid and no SR Broker Warrants shall be issued in connection with President's List subscriptions.

The gross proceeds of the Concurrent Offering, less 50% of the Offering Fee and all of the Co-Lead Agents' expenses, will be deposited with and held by the Subscription Receipt Agent in an interest-bearing account (the "**Escrowed Funds**"), to be released upon satisfaction or waiver of the Escrow Release Conditions. The remaining 50% of the Offering Fee payable to the Agents (plus any pro rata portion of accrued interest earned thereon) will be released from escrow to the Agents out of the Escrowed Funds and the balance of the Escrowed Funds will be released from escrow to FLRish upon satisfaction or waiver, on or before the Escrow Release Deadline (as defined below), of the following conditions (together, the "**Escrow Release Conditions**"):

a) written confirmation from each of FLRish and Lineage that all conditions to the completion of the Transaction have been satisfied or waived, other than the release of the Escrowed Funds and the closing of the Transaction, each of which will be completed forthwith upon release of the Escrowed Funds;

b) the receipt of all required shareholder and regulatory approvals required for the Transaction;

c) the distribution of (i) the SR Shares and SR Warrants underyling the Subscription Receipts, and (ii) the Resulting Issuer Shares to be issued in exchange for the SR Shares and issuable upon exercise of the SR Warrants pursuant to the Transaction being exempt from applicable prospectus and registration requirements of applicable securities laws;

d) the Resulting Issuer Shares being conditionally approved for listing on the CSE and the completion, satisfaction or waiver of all conditions precedent to such listing, other than release of the Escrowed Funds;

e) such other customary escrow release conditions as may be requested by the Co-Lead Agents, acting reasonably; and

f) FLRish and the the Co-Lead Agents (acting on their own behalf and on behalf of the other Agents) having delivered a release notice to the Subscription Receipt Agent confirming that the conditions set forth in (a) through (e) above have been satisfied or waived (the "**Escrow Release Notice**").

In the event that the Subscription Receipt Agent does not receive the Escrow Release Notice prior to 5:00 p.m. (Toronto time) on the date that is 120 days after closing of the Concurrent Offering or such later date as may be approved by holders of at least 66 2/3% of the Subscription Receipts (the "**Escrow Release Deadline**"), or if prior to such time, FLRish advises the Agents or announces to the public that it does not intend to satisfy the Escrow Release Conditions, the Subscription Receipt Agent will return to holders of Subscription Receipts, within two business days of the Escrow Release Deadline, an amount equal to the aggregate Concurrent Offering Price of the Subscription Receipts held by them and their *pro rata* portion of any interest earned thereon. FLRish will be responsible and liable to pay for any shortfall between the aggregate gross proceeds of the Concurrent Offering (including any applicable interest and income payable or that would have been earned) and the Escrowed Funds.

Lineage

Fiscal Year Ended January 31, 2017

On November 16, 2016, Lineage filed Articles of Amendment to consolidate the issued and outstanding Lineage Common Shares on the basis of 1 post-consolidation Lineage Common Share for every 3 issued and outstanding pre-consolidated Lineage Common Shares.

On December 12, 2016, Lineage announced that it had appointed David Posner, Hamish Sutherland and Robert Schwartz to the board of directors. Effective December 12, 2016 Peter Cashin and Rick Cleath resigned as directors of Lineage.

On December 12, 2016, Lineage entered into shares for debt agreements totalling C$79,840 with arm's length and non-arm's length parties. A total of 1,036,818 units, for the gross proceeds of C$51,840, were issued to unrelated parties for settlement of debt, and 560,000 Lineage Common Shares for the gross proceeds of C$28,000 were issued to the related parties for outstanding fees. Each unit consisted of one Lineage Common Share and one-half of one share purchase warrant. Each whole warrant entitled the holder thereof to purchase one Lineage Common Share at a price of C$0.10 per Lineage Common Share for a period of 12 months after the closing date.

On December 22, 2016, Lineage announced that further to its review of potential strategies to maximize shareholder value in the mineral exploration space, it had elected to focus on other business opportunities. Lineage announced that it was seeking to maximize shareholder value by repositioning its business operations to focus on cannabis cultivation operations in the United States.

Fiscal Year Ended January 31, 2018

On February 17, 2017, Yannis Banks resigned as a director of Lineage.

On March 10, 2017, Collins Barrow Toronto LLP resigned as the auditors for Lineage, and Lineage approved the appointment of UHY McGovern Hurley LLP as auditors. There had been no reservations in the former auditor's reports in connection with the audits of the two fiscal years ended January 31, 2015 and 2016, and there were no reportable events, including disagreements, consultations or unresolved issues, as such terms are defined in NI 51-102, between Lineage and the former auditors.

On April 19, 2017, Lineage announced it had submitted an application to the TSX Venture Exchange to voluntarily de-list all of the Lineage Common Shares as it proceeds with its new business strategy of changing its business to the cannabis industry. The delisting became effective on April 26, 2018.

On April 24, 2017, Peter Bilodeau resigned as Lineage's Chief Executive Officer and was replaced by David Drutz.

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

On December 11, 2017, Lineage announced the appointment of Keith Li as its Chief Financial Officer. As CFO, Mr. Li replaced Amy Stephenson as Lineage's CFO. Mr. Li is a finance professional with over 10 years of corporate accounting and audit experience. He specializes in providing management advisory services, accounting and regulatory compliance services to companies in a number of industries.

On December 13, 2017, Lineage entered into a letter of intent to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co. d/b/a Terpene Station Portland ("**Terpene Station**"). The acquisition of Terpene Station comprises the proposed acquisition of a chain of two retail dispensary stores in Oregon operating under the "Terpene Station" brand name with 5,600 square feet of total retail space across two locations in southeast Portland and downtown Eugene.

On January 31, 2018, Lineage entered into the following definitive agreements (the "**Mt. Baker Definitive Agreements**") with Mt. Baker Greeneries, LLC ("**Mt. Baker**") whereby Lineage would assist Mt. Baker in maximizing the efficiency of its cultivation operations at Mt. Baker's cultivation facility in Bellingham, Washington:

- Equipment Lease Agreement between Lineage and Mt. Baker, whereby Lineage agreed to lease cultivation equipment to Mt. Baker. The initial term of this agreement began on January 31, 2018 and ends on January 31, 2021, and is automatically renewable for one year unless one party gives 30 days' written termination notice. Mt. Baker agreed to pay a total monthly lease payment of US$13,057.99 which shall be deferred and accrue until six (6) months from the date that the equipment is delivered to Mt. Baker; and

- Licensing and Services Agreement between Lineage and Mt. Baker, whereby Mt. Baker agreed to purchase cultivation supplies from Lineage, to license certain trademarks from Lineage to place on Mt. Baker's packaged products, and to license certain technology and confidential know-hows from Lineage to cultivate the marijuana crops grown at the Mt. Baker's facility. Lineage will also provide services to assist in redesigning Mt. Baker's grow facility, implement growing methodologies, training of personnel and other day-to-day advice as requested. Under this agreement, Lineage will also advise Mt. Baker with respect to the cultivation process as well as introduce potential technology partners. Pursuant to the Consulting Agreement, Mt. Baker agreed to pay Lineage US$350 per man hour for consulting services provided by Hamish Sutherland, Gary Galitsky, Billy Morrison and David Drutz.

<u>Recent Developments</u>

On March 5, 2018, the Lineage Common Shares began trading on the CSE under the trading symbol "BUDD".

On April 19, 2018, Lineage announced that Mr. David Drutz had tendered his resignation as Chief Executive Officer and President of Lineage effective April 15, 2018 and as a director effective April 17, 2018. Mr. Peter Bilodeau assumed the role of interim Chief Executive Officer and President of Lineage.

On May 24, 2018, Lineage granted 1,875,000 stock options to officers and directors of Lineage. The options are exercisable at a price of C$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. Lineage also granted 800,000 stock options to various consultants on May 24, 2018. These options are exercisable at a price of C$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 July 23, 2018, Lineage announced the appointment of Steve Peterson, a top cannabis retail executive with extensive dispensary management experience, to the role of VP, Retail, pursuant to a one-year contract.

On August 3, 2018, Lineage granted 20,000 stock options to a service provider of Lineage. The options are exercisable at a price of C$0.25 per share and will expire on August 3, 2023. One-third of the options will vest on February 3, 2019, with an additional one-third vesting every 6 months until fully vested.

On August 13, 2018, Lineage announced it entered into the Letter Agreement with FLRish to effect the Transaction.

On August 29, 2018, in connection with Lineage's acquisition of assets of the Terpene Station Dispensaries, Lineage issued the Terpene Station Convertible Notes to the vendors in the aggregate principal amount of US$800,000. The principal amount of the Terpene Station Convertible Notes is convertible into Lineage Common Shares at a price of C$0.35 per share. See Item 10.1 – *Description of the Securities – Lineage.*

On September 14, 2018, Lineage entered into asset purchase agreements with Terpene Station and on October 1, 2018, Lineage announced the closing of the acquisition of assets of the Terpene Station Dispensaries. The purchase price payable by Lineage pursuant to the terms of the asset purchase agreements between Lineage and Terpene Station consisted of a cash payment of US$400,000 and the Terpene Station Convertible Notes issued on August 29, 2018. In connection with the closing of the acquisition of assets of the Terpene Station Dispensaries, Lineage also issued a stock finder's fee of 386,909 Lineage Common Shares to FMICA.

On November 27, 2018, Lineage and Quinsam entered into an agreement terminating a previously proposed purchase by Lineage of Quinsam's equity interest in Herbiculture Inc. As consideration for the termination, Lineage issued to Quinsam 200,000 Lineage Common Shares at a price of C$0.19 per share for a total of C$38,000 on December 5, 2018.

On November 27, 2018, Lineage notified Mr. Baker of the termination of the Mt. Baker Definitive Agreements effective as of October 31, 2018 due to the passing of the principal of Mt. Baker and to focus on the Terpene Station Dispensaries.

On December 10, 2018, Lineage's board of directors approve the payment of bonus to its CEO and CFO for their work in the acquisition of Terpene Station Dispensaries, the proposed Agris Farms Acquisition and LUX Acquisition and the Transaction. Mr. Keith Li, CFO of Lineage, will receive a cash bonus of C$10,000. Mr. Peter Bilodeau, CEO of Lineage, will receive a bonus of C$100,000, of which C$40,000 was payable immediately, C$20,000 will be payable upon the execution of a definitive agreement for the LUX Accusation, and C$20,000 will be payable upon the completion of the Transaction. All of Mr. Bilodeau's bonus payments will be applied towards exercise of options held by or to be granted to Mr. Bilodeau.

On January 25, 2019, Lineage and NHII amended the NHII LOI and in connection with the amendment, NHII converted the C$75,000 debt obligation Lineage owed to NHII under the NHII LOI into 454,545 Lineage Common Shares at C$0.165 per share. The amendment pertains to NHII waiving all unperformed obligations in the NHII LOI, provided however, if the Transaction is not completed by June 30, 2019, the unperformed obligations in the NHII LOI will again be reinstated.

Financing Activities

SIDEX Debentures

On September 16, 2014, Lineage closed a non-brokered private placement of an unsecured convertible debenture under SIDEX's program “Field Action 2014” (the “**SIDEX Debentures**”) for gross proceeds of C$50,000. The SIDEX Debentures had an original maturity date of September 16, 2016. The rate of interest on the SIDEX Debentures is 12% per annum, to be accrued until and payable on the maturity date. As an incentive for purchasing the SIDEX Debentures, Lineage issued 333,333 warrants on closing. Each warrant was exercisable into one Lineage Common Share at a price of C$0.15 per share for the first year and C$0.30 per share in the second year from the closing date. The warrants expired on September 16, 2016 without being exercised. On September 16, 2016, Lineage extended the maturity date of the SIDEX

Debentures until September 17, 2017. The SIDEX Debentures were convertible, at the option of the holder, at any time prior to the maturity date, into Lineage Common Shares at a conversion price equal to C$0.30 per share from September 17, 2016 until September 16, 2017. On November 2, 2017, Lineage further extended the maturity date of the SIDEX Debentures to March 16, 2019. The conversion price was also amended to C$0.20 per share.

On March 13, 2019, the SIDEX Debentures (which were assigned to a third party) totalling C$70,876.71 (C$50,000 principal and C$20,876.71) were converted into 354,384 Lineage Common Shares at a price of C$0.20 per share.

C$0.05 Unit Financing

On November 17, 2016, Lineage closed the first tranche of a non-brokered private placement consisting of 8,200,000 units at a price of C$0.05 per unit for aggregate gross proceeds of C$410,000. Each unit consisted of one Lineage Common Share and one-half of one common share purchase warrant. Each whole warrant entitled the holder thereof to purchase one Lineage Common Share at a price of C$0.10 per share for a period of 12 months after the closing date. On December 9, 2016, Lineage closed the second and final tranche of the non-brokered private placement, consisting of 13,800,000 units sold at a price of C$0.05 per unit for aggregate gross proceeds of C$690,000.

Lineage Convertible Debentures

On May 12, 2017, Lineage closed a brokered private placement of 2,500 units at a price of C$1,000 per unit for aggregate gross proceeds of C$2,500,000. Each unit consisted of C$1,000 principal amount of 12.0% convertible secured redeemable debentures (the "**Lineage Convertible Debentures**") and 4,000 common share purchase warrants. Each warrant entitled the holder thereof to purchase one Lineage Common Share at a price of C$0.325 per share for a period of 24 months after the closing date. The offering was completed in accordance with the proposed transaction with NHII regarding the building of cannabis cultivation facilities in Nevada and Colorado.

The Lineage Convertible Debentures mature on May 12, 2019 and are convertible at the option of the holders thereof at any time prior to the maturity date into Lineage Common Shares at a conversion price of C$0.25 per share. The Lineage Convertible Debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance, with the first two interest payments paid from the issuance of 1,200,000 Lineage Common Shares at an issue price of C$0.25 per share. Lineage may elect to satisfy its obligation to pay interest on the Lineage Convertible Debentures by issuing Lineage Common Shares to the holders of the Convertible Debentures at a price of C$0.25 per share. The Lineage Convertible Debentures are secured by a general security over the personal property of Lineage, and a charge to be granted over the proposed Nevada facility of Lineage.

Lineage placed the proceeds of the May 2017 offering in escrow to be released upon the satisfaction of certain conditions. Subsequent to year-end of January 31, 2018, the release conditions for the escrow had been revised.

The conversion price of the Lineage Convertible Debentures was subject to the following adjustments as of their issue date:

- if Lineage completes an equity financing within eight months (amended to nine months by Lineage as of February 1, 2018) of the date of the offering at a price less than C$0.30 per Lineage Common Share (the "**Lineage Equity Financing Price**"), the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to a price equal to a 20% discount to the Lineage Equity Financing Price; and

- if Lineage completes an equity financing at any time that the Lineage Convertible Debentures remain outstanding at an Lineage Equity Financing Price of less than C$0.25 per Lineage Common

Share, the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Lineage Equity Financing Price.

The warrant exercise price was subject to the following adjustment:

- If Lineage issues warrants at any time that the Lineage Convertible Debentures remain outstanding with an exercise price of less than C$0.325 per Lineage Common Share (the "**Lineage Equity Financing Warrant Price**"), the warrant exercise price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Lineage Equity Financing Warrant Price.

Pursuant to the amended terms of the Convertible Debentures, as Lineage closed the first tranche of the Lineage Equity Financing (defined below) on January 24, 2018 which was within nine months of issuance of the Convertible Debentures at a Lineage Equity Financing Price of C$0.25, the conversion price of the Convertible Debentures was amended from C$0.25 to C$0.20. In addition, the exercise price of the common share purchase warrants issued with the Lineage Convertible Debentures was also amended from C$0.325 to C$0.25, effective February 26, 2018.

On February 1, 2018, Lineage entered into a restated letter of intent with NHII pursuant to which NHII agreed to assist Lineage in establishing cannabis facilities in Washington State and Nevada ("**NHII LOI**").

On February 1, 2018, with the consent of the holders of the Lineage Convertible Debentures, Lineage an amended the terms of the Lineage Convertible Debentures by replacing the original security granted with a put option from NHII, by deleting references to the proposed Nevada operation, and by clarifying the powers of the holders by ordinary resolutions. NHII entered into a put option agreement (the "**Put Option Agreement**") on February 1, 2018 with Lineage and representative of the Lineage Convertible Debenture holders. Under the Put Option Agreement, in the event of default by Lineage under the Lineage Convertible Debentures, NHII would be obligated, at the election of holder representative, to purchase the Lineage Convertible Debentures at a price equal to the amount of all principal and accrued interest outstanding thereon, payable at NHII's option either in cash or in NHII convertible debentures.

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

(i) Completion of the Mt. Baker strategic partnership by execution of the Mt. Baker Definitive Agreements;

(ii) Regulatory approval of the Mt. Baker Definitive Agreements if required;

(iii) Closing of Lineage's proposed acquisition of Terpene Station or such other acquisition by Lineage with similar or better financial metrics, approved by FMI;

(iv) Registration of a UCC general security agreement over the assets of Lineage in the State of Washington, including all equipment leased by Lineage to Mt. Baker, and registration of a second secured position over assets acquired in the acquisition of Terpene Station; and

(v) Lineage has completed the Lineage Equity Financing.

On June 25, 2018, with the consent of the debenture holders, Lineage amended the Put Option Agreement and further amended the Amended and Restated Escrow Agreement to extend the deadline for satisfaction of the escrow release conditions related to Lineage either acquiring an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations, from June 30, 2018 to August 31, 2018.

The escrow release conditions were satisfied or waived on October 30, 2018 upon the completion of the acquisition of assets of Terpene Station, and the funds held in escrow were released to Lineage.

As at November 26, 2018, all of the Lineage Convertible Debentures have been converted into Lineage Common Shares in accordance with their terms.

Lineage Equity Financing

On January 24, 2018, Lineage closed the first tranche of a non-brokered private placement equity financing (the "**Lineage Equity Financing**"), consisting of 4,740,000 units at a price of C$0.25 per unit, for gross proceeds of C$1,185,000. Each unit consisted of one Lineage Common Share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one Lineage Common Share at a price of C$0.325 per share for a period of 24 months after the closing date. In conjunction with the private placement, Lineage also paid a finders' fee of C$94,800 in cash and issued 379,200 finders' options which entitle the holders thereof to purchase one unit at a price of C$0.25 per unit, exercisable until January 24, 2020.

On February 20, 2018, Lineage announced the closing of the final three tranches of the Lineage Equity Financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of C$1,847,416 as follows:

- 3,442,064 units issued in the second tranche on February 8, 2018;
- 3,047,600 units issued in the third tranche on February 14, 2018, and
- 900,000 units issued in the fourth and final tranche on February 16, 2018.

In connection with the final three tranches, Lineage also paid finders' fees totaling C$99,700 in cash, and issued an aggregate of 778,000 finder options. Each finder option entitles the holder thereof to purchase one unit at a price of C$0.25 per unit, exercisable for 24 months from the applicable date of issuance.

<u>Pipeline Acquisitions</u>

LUX Acquisition

On March 6, 2018, Lineage entered into a binding letter of intent to acquire a 100% interest in Altai Partners LLC ("**Altai**"), a limited liability company operating out of California, which at the time, had a binding agreement in place to acquire a minimum 45% ownership interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary ("**LUX**"). On April 3, 2018, Lineage announced that further to Altai's agreement to acquire a 45% interest in LUX, Altai had entered into an additional agreement to acquire the remaining 55% ownership interest in LUX.

On •, 2019, Lineage and Altai entered into an agreement whereby Altai assigned the rights to purchase the 100% ownership interest in LUX to Lineage's wholly-owned subsidiary, Lineage GCL California, LLC (the "**LUX Acquisition**"). Accordingly, Lineage's subsidiary will acquire ownership interest in LUX directly and will not be purchasing shares in Altai. Upon completion of the LUX Acquisition, Lineage would hold a 100% ownership interest in LUX.

LUX currently holds four licenses in the State of California including retail, cultivation, extraction, and delivery. Currently, cannabis business activity conducted by LUX is limited to the retailing of cannabis products. LUX's cannabis retail operations are conducted in a 3,700 square foot retail space located in southeast San Jose, California. The LUX dispensary acquires cannabis products including product cannabis flower, vape pens, oils, extracts, edibles and pre-rolls from wholesale producers via distribution partners and markets those products to recreational and medical cannabis consumers while maintaining compliance with the rules set forth by the Bureau of Cannabis Control, California Department of Public Health and California Department of Food and Agriculture and all other applicable state and local laws, regulations, ordinances, and other requirements.

The purchase price for the LUX Acquisition is US$5,400,000, payable on or prior to closing, comprised of US$1,950,000 payable in cash and US$3,450,000 payable by the issuance of 412,500 Subordinate Voting Shares at a price of US$8.36 per Subordinate Voting Share (or Multiple Voting Shares at US$836.00 per share). The terms of the LUX Acquisition also provide for a bonus payment equal to C$412,500 to the vendors, payable by the issuance of 59,783 Subordinate Voting Shares at a price of C$6.90 per Subordinate Voting Share (or 597 Multiple Voting Shares at C$690.00 per share, or a combination of both).

Pursuant to the terms of the LUX Acquisition, the Resulting Issuer will make the following payments to arm's length third party finders: i) an aggregate US$100,000, comprised of US$50,000 paid in cash and US$50,000 (C$66,500) payable by the issuance of 9,638 Subordinate Voting Shares of the capital of the Resulting Issuer (or 96 Multiple Voting Shares at C$690.00 per Multiple Voting Share, or a combination of both); and ii) US$54,000 (C$71,820) payable by the issuance of 10,409 Subordinate Voting Shares in the capital of the Resulting Issuer at a deemed price of $6.90 per Subordinate Voting Share (or 104 Multiple Voting Shares at C$690.00 per Multiple Voting Share, or a combination of both).

The LUX Acquisition is expected to be completed on the later of the Transaction closing and the receipt of regulatory approval for the LUX Acquisition. The LUX Acquisition is subject to a number of contingencies which must be satisfied prior to closing, including final due diligence by the respective parties, receipt of applicable corporate approvals, completion of Altai's acquisition of 100% ownership in LUX, completion of LUX's acquisition of assets of American Redstone, completion of the Transaction, and receipt of regulatory and/or governmental approval for the LUX Acquisition. If these conditions are not satisfied or waived on or before the date that is six months after the closing of the Transaction, then the binding membership interest purchase agreement may be terminated. There can be no assurance that the LUX Acquisition will be completed as proposed or at all.

FMICA has been retained by Altai, pursuant to an agreement dated February 8, 2018, to act on behalf Altai as a financial consultant in connection with a potential going public transaction involving LUX or the sale of LUX to a public company. Acting in its capacity as financial consultant, FMICA sourced and structured the LUX Acquisition. Please see *Item 20 – Interest of Management and Other Material Transactions - Restated Fee Agreement* for details regarding fees payable to FMICA in connection with the LUX Acquisition.

Agris Farms Acquisition

On November 20, 2018, Lineage entered into a membership interest purchase agreement to acquire a 100% interest in Agris Farms, a limited liability company operating out of California (the "**Agris Farms Acquisition**"). Agris Farms operated a premium quality craft cannabis cultivation facility in Northern California. Pursuant to the agreement, Lineage would acquire a 100% interest in Agris Farms based on an implied enterprise value of US$6,600,000. Consideration would be in the form of stock, cash, and the assumption of liabilities.

Agris Farms operates a fully-licensed and fully-operational 40,500 sq. ft. ultra-low-cost greenhouse facility and a 3,000 sq. ft. craft-style indoor facility in Yolo County, California. The Yolo facility is in commercial production with annual production capacity of 6,000 lbs. of premium quality craft cannabis.

The purchase price for the Agris Farms Acquisition is US$6,600,000, payable on closing, comprised of: (i) US$2,148,880 payable by the issuance of Subordinate Voting Shares at a price of C$6.90 per Subordinate Voting Share and/or Multiple Voting Shares at a price of C$690.00 per Multiple Voting Share; (ii) the assumption of liabilities in the aggregate amount of US$2,951,120 (comprised of a US$1,500,000 senior note to be repaid by Agris Farms from subscription proceeds received by Agris Farms from Lineage to subscribe for US$1,500,000 worth of Agris Farms membership interest units and a US$1,451,120 shareholder loan, of which US$451,120 is to be repaid in cash and US$1,000,000 of such shareholder loan is to be converted into a Resulting Issuer convertible note, convertible into Subordinate Voting Shares at a conversion price of C$6.90 (and/or into Multiple Voting Shares at a conversion price of C$690.00); and (iii) the grant of a first lien security interest in the assets of Agris Farms and the grant of a put option by the Resulting Issuer in favor of the holder of a US$1,500,000 subordinated note whereby the note holder may choose to convert such subordinate note into (subject to acceleration of conversion if the 30 day volume weighted average price of the Subordinate Voting Shares exceeds C$9.62 per share) 251,087 units of one Subordinate Voting Share and one half a warrant at a conversion price of C$7.945 per unit with the warrant exercisable into a Subordinate Voting Share at an exercise price of C$10.45 (or 2,510 units of one Multiple Voting Share and one half a warrant at a conversion price of C$794.5 per unit with the warrant exercisable into a Multiple Voting Share at an exercise price of C$1,045.00).

In addition, pursuant to the terms of the Agris Farms Acquisition, upon closing of the Agris Farms Acquisition, Lineage will issue 96,377 warrants to purchase Suboridinate Voting Shares with a warrant exercise price of C$10.45 (or 9,637 warrants to purchase Multiple Voting Shares with a warrant exercise price of C$1,045.00) to the vendors in the Agris Farm Acquisition.

Upon the second closing of the CD Unit Offering on November 16, 2018, FLRish provided an unsecured term loan to Lineage in the principal amount of C$2,000,000 (the "**Bridge Loan**"). The proceeds of the Bridge Loan are expected to be used by Lineage towards the purchase price for the Agris Farms Acquisition. The Bridge Loan will bear interest at the rate of 12% per annum, or 18% per annum while the loan is in default. The Bridge Loan will mature after one year, which may be extended for another year unless Lineage receives a written notice from FLRish prior to 90th day before the expiry of the then current term that FLRish does not wish to extend the term of the loan. However, if the Transaction is terminated, the Bridge Loan will mature on the date that is six months after the date of termination. If the Transaction is completed the Bridge Loan will be consolidated as an intra-company debt.

The Agris Farms Acquisition is expected to be completed on the later of the Transaction closing and the receipt of regulatory approval for the Agris Farms Acquisition. The Agris Farms Acquisition is subject to a number of contingencies which must be satisfied prior to closing, including final due diligence by the respective parties, receipt of applicable corporate approvals, approval of the Agris Farms Acquisition by the local Yolo Country government and other regulatory and/or governmental approval, the closing of the Bridge Loan and the completion of the Transaction. If these conditions are not satisfied or waived on or before March 31, 2019, then the binding membership interest purchase agreement may be terminated. There can be no assurance that the Agris Farms Acquisition will be completed as proposed or at all.

Acting in its capacity as financial consultant to Lineage, FMICA sourced and structured the Agris Farms Acquisition and is entitled to receive compensation for the Agris Farms Acquisition. Please see Item 20 – *Interest of Management and Other Material Transactions – Restated Fee Agreement* for details regarding fees payable to FMICA in connection with the Agris Farms Acquisition.

The Transaction

The principal steps of the Transaction are as follows:

(1) FLRish has completed the CD Unit Offering for gross proceeds of C$37,228,000.

(2) FLRish has advanced the Bridge Loan to Lineage.

(3) As consideration for terminating the NHII LOI, Lineage issued NHII a total of 454,545 Lineage Common Shares at C$0.165 per share in satisfaction of C$75,000 debt obligation owing by Lineage to NHII under the NHII LOI.

(4) Lineage will hold a special meeting of shareholders to approve the Transaction and related matters, including obtaining minority approval (as defined by OSC Rule 56-501) for the distribution of restricted shares in accordance with OSC Rule 56-501.

(5) FLRish will obtain shareholder approval for the Transaction and related matters either by written resolution or by holding a meeting of shareholders.

(6) Lineage will obtain conditional approval of the CSE for the Transaction and the listing of the Subordinate Voting Shares.

(7) Lineage will file a Stock Dividend Articles of Amendment to create the Lineage Series A, Series B and Series C Special Shares.

(8) Lineage will declare and pay a stock dividend in the aggregate of

(a) 44,775,040 Lineage Series A Special Shares to holders of Lineage Common Shares as of the Record Date;

(b) 11,513,581 Lineage Series B Special Shares to holders of Lineage Common Shares as of the Record Date; and

(c) 14,072,155 Lineage Series C Special Shares to holders of Lineage Common Shares as of the Record Date.

(9) FLRish has issued and escrowed options to purchase 1,012,583 shares of Series A Common Stock at an exercise price of $0.054 per share pending the resolution of a dispute, to be released in accordance with any judgment or released to the holders of rights to Series A Common stock on a pro rata basis on the FLRish Record Date.

(10) FLRish has issued contingent options to purchase 978,375 shares of Series A Common stock at an exercise price of $0.055 per share pending the resolution of the Brothers Arbitration, to be released in accordance with any judgment or released to the holders of rights to Series A Common Stock on a pro rata basis on the FLRish Record Date.

(11) Immediately prior to the merger of FLRish and Subco, the FLRish Convertible Debentures comprising the CD Units will be converted, pursuant to their terms, into FLRish Underlying Shares.

(12) Immediately prior the merger of FLRish and Subco, the issued and outstanding shares of Series A-1 Preferred Stock and Series A-2 Preferred Stock will be converted, pursuant to their terms, into shares of Series B Common Stock.

(13) Immediately prior to the merger of FLRish and Subco, FLRish will complete the Concurrent Offering for minimum gross proceeds of at least C$10,000,000 and maximum gross proceeds of up to C$70,000,000 (or C$80,500,000 if the Over-Allotment Option is exercised in full) and immediately thereafter, the Subscription Receipts issued pursuant to the Concurrent Offering will be converted into underlying SR Shares and SR Warrants, and the Escrowed Funds will be released from escrow to FLRish. Completion of the Minimum Offering is a condition to closing of the Transaction.

(14) At the close of the Transaction:

(a) The Parties will cause the merger of FLRish and Subco to be consummated by filing a Certificate of Merger in the form attached hereto as Exhibit C with the Secretary of State of the State of California in accordance with the relevant provisions of the Applicable Business Laws.

(b) Each Lineage Common Share outstanding immediately before the filing of the the merger Articles of Amendment shall be consolidated upon the Consolidation taking effect and on a post-Consolidation basis, be re-classified as a Subordinate Voting Share.

(c) Lineage will adopt the Equity Incentive Plan with the same rights and terms as the Equity Incentive Plan adopted by shareholders of Lineage and the Resulting Issuer and any equity incentives including Lineage Options and FLRish Options granted under the Lineage Option Plan or the FLRish Option Plan, as applicable, shall be substituted for Options under the Equity Incentive Plan. The Equity Incentive Securities under the Equity Incentive Plan will entitle the holders to acquire Subordinate Voting Shares.

(d) Subject to the terms and conditions of the Definitive Agreement: (i) each share of FLRish Series A Common Stock shall be exchanged with 1/100 of a Multiple Voting Share; (ii) each share of FLRish Series B Common Stock shall be shall be exchanged with 1/100 of a Multiple Voting Share; (iii) each share of FLRish Series C Common Stock shall be exchanged with 1/100 of a Multiple Voting Share; (iv) each share of FLRish Series D Common Stock (being the SR Shares) shall be exchanged with 1 Subordinate Voting Share; and (v) each Dissenting Share shall be converted into the right to receive payment from the Resulting Issuer with respect thereto in accordance with the provisions of the CCC.

(e) Each FLRish CD Warrant, SR Warrant, FLRish Option, other option, other warrant, convertible or exchangeable security or other right to purchase or acquire FLRish Shares, to the extent not exercised or converted at the time of closing of the Transaction that are outstanding immediately before close of the Transaction, whether vested or unvested, will, automatically and without any required action on the part of any holder or beneficiary thereof, become exercisable for the kind and number of securities or property that the holder of the convertible securities would have been entitled to receive on the date of closing of Transaction, if, on the record date or the effective date thereof, as the case may be, the holder of such convertible security had been the registered holder of the number of such FLRish Shares issuable upon the exercise of the applicable convertible security then held, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in such convertible security. To the extent the Resulting Issuer elects to do so, the convertible securities may be assumed by Resulting Issuer and be replaced by Resulting Issuer convertible securities exercisable or convertible into an option, warrant, convertible or exchangeable security or other right, as applicable, to purchase or acquire a number of Subordinate Voting Shares or Multiple Voting Shares, as applicable.

(f) By virtue of the closing of the Transaction, and without any action on the part of Lineage, Subco or FLRish, FLRish Shares will be exchanged for Multiple Voting Shares and Subordinate Voting Shares, with FLRish to continue as the surviving corporation and a wholly-owned subsidiary of Lineage.

(g) Immediately after the closing of the Transaction, the 44,775,040 Series A Special Shares of Lineage will be automatically converted into a total of approximately 1,070,707 Subordinate Voting Shares.

(h) Immediately after the closing of the Transaction, FMICA will be issued a number of Subordinate Voting Shares at C$6.90 per share in accordance with the terms of the Restated Fee Agreement in satisfaction of the advisory fee for the Transaction. Please see *Item 20 – Interest of Management and Other Material Transactions - Restated Fee Agreement* for further details regarding fees payable to FMICA by the Resulting Issuer related to the Transaction.

Upon completion of the Transaction, the directors of the Resulting Issuer will be those identified in Item 13 – *Directors and Officers – Directors and Officers of the Resulting Issuer.*

Lineage will hold a special meeting of shareholders to approve the Transaction and related matters, including obtaining minority approval (as defined by OSC Rule 56-501) for the distribution of restricted shares in accordance with OSC Rule 56-501. Specifically, Lineage's shareholders will be asked to pass a special resolution to authorize and approve an amendment to Lineage's articles to, among other things, consolidate the Lineage Common Shares, create a class of Subordinate Voting Shares, create a class of Multiple Voting Shares and reclassify the Lineage Common Shares on a post-Consolidation basis as Subordinate Voting Shares. The Subordinate Voting Shares would constitute "restricted shares" as defined by OSC Rule 56-501. Accordingly, such special resolution will be used to approve a "restricted security reorganization" pursuant to National Instrument 41-101 – *General Prospectus Requirements* and OSC Rule 56-501, which requires that a restricted security reorganization receive prior majority approval of the securityholders of Lineage in accordance with applicable law, excluding any votes attaching to securities held, directly or indirectly, by affiliates of Lineage or control persons of Lineage. To the knowledge of management of Lineage, no Lineage shareholder is an affiliate or a control person of Lineage. However, Lineage has requested that its directors and officers, FMICA and FMI refrain from voting their Lineage Common Shares on this special resolution. Directors and officers of Lineage beneficially own, directly or indirectly, or exercise control or direction over, a total of 6,839,682 Lineage Common Shares as indicated in Item 13 – *Directors and Officers – Directors and Officers of Lineage*. FMICA and FMI beneficially own, directly or indirectly, or exercise control or direction over, a total of 1,719,013 Lineage Common Shares. Therefore, a total of 8,558,695 Lineage Common Shares will be excluded from voting on this special resolution. The use of the Subordinate Voting Shares in the Transaction is for the purpose of allowing the Resulting Issuer to maintain its status as a "foreign private issuer" as determined in accordance with Rule 3b-4 under the Exchange Act.

Following approval at the Corporation's shareholder meeting, which will include an amendment to create the additional share classes, the Corporation's authorized share capital will, upon the filing of the articles of amendments by Lineage, consist of an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares, and an unlimited number of Special Shares. Upon completion of the Transaction, the outstanding share capital of the Resulting Issuer will consist of: (i) 9,135,976 Subordinate Voting Shares in case of the Minimum Offering, 15,483,344 Subordinate Voting Shares in case of the Maximum Offering, or 16,594,133 Subordinate Voting Shares in case of the Maximum Offering with full exercise of the Over-Allotment Option; (ii) 1,984,287 Multiple Voting Shares (convertible into 29,764,305 Subordinate Voting Shares; (iii) Series B Special Shares convertible into a total of 275,325 Subordinate Voting Shares; and (iv) Series C Special Shares convertible into a total of 336,508 Subordinate Voting Shares.

Following the closing of the Transaction, the Resulting Issuer will make a final submission to the CSE to obtain final approval of the CSE.

Following the final approval of the CSE, the Subordinate Voting Shares are expected to commence trading on the CSE under the symbol "HBOR".

3.2 Significant Acquisitions and Dispositions

FLRish

Harborside Oakland and Harborside San Jose Merger Options

On January 7, 2019 FLRish entered into Merger Option Agreements providing the right to purchase, and merge into subsidiaries of FLRish, all of the interests of Harborside Oakland and Harborside San Jose with DeAngelo and Wedding, the sole owners of such interests.

Pursuant to the terms of the Merger Option Agreements FLRish has the right to exercise the Merger Options at any time. In exchange for the Merger Option FLRish issued 1,581,467 Series B Common shares to DeAngelo and 2,469,781 Series B Common Shares to Wedding. In addition Wedding received a severance package of $600,000 paid over twenty four months. Upon the exercise of the Merger Options no additional consideration will be required to be issued to Wedding. There is a possibility of some additional consideration being issued to DeAngelo based on the debt at the time of such exercise but current estimates are that none will need be issued.

Business of Harborside Oakland and Harborside San Jose

Harborside Oakland is a corporation that holds a local retail cannabis license in Oakland, California as well as owning FFC2 and a 50% interest in Harborside San Leandro. Harborside Oakland currently holds a lease to the Harborside Oakland dispensary located at 1840 Embarcadero, Oakland, California and a local authorization for cannabis activities and current California licenses that include adult and medical authorizations for the following California license types: Manufacturing (Type P), Retail (including delivery), and Distribution.

FFC2 holds local authorization and California adult use cultivation and manufacturing licenses at the Salinas Farm located at 26889 Encinal Road, Salinas, California, which is sub-leased to it by a FLRish subsidiary, including: 14 adult use Mixed Light Tier II and 8 medical Mixed Light Tier II licenses, Manufacturing (Type P) for adult and medical, and an adult and medical nursery license.

Harborside Oakland has owned and operated the Harborside Oakland dispensary since 2006 and has been the tenant farmer and has operated the cultivation facility at the Salinas Farm since 2016.

Harborside San Jose holds a lease for the Harborside San Jose dispensary located at 1365 N. 10th Street, San Jose, California and a local authorization and state licenses in California, including adult use and medical licenses in the following categories: Distributor, Manufacturing (Type P), and Retail. Harborside San Jose has owned and operated the Harborside San Jose dispensary since 2012.

Harborside San Leandro holds a lease and a local authorization for medical cannabis retail at 1965 Marina Boulevard, San Leandro, California. The site is currently under construction and is not yet conducting cannabis related activities, as a result, no California license is required and none has been obtained.

On closing of the Transaction, the Resulting Issuer will continue to manage the retail dispensary operations and the cultivation operations currently carried on by Harborside Oakland and Harborside San Jose. It will also manage the dispensary operations of Harborside San Leandro and Harborside Desert Hot Springs upon and subject to their respective openings. Please see Item 4.1 – *Narrative Description of the Business – Business of the Resulting Issuer* for further details of the Harborside Oakland and Harborside San Jose operations.

Acquisition Date

The acquisition of the Harborside Dispensaries is expected to take effect on closing of the Transaction, either by way of acquisition of control for accounting purposes without acquiring ownership interest, or by way of acquiring ownership interest through the exercise of the Merger Options if the conditions for the exercise have been satisfied or waived.

Effect on Financial Position

At the close of the Transaction, FLRish will possess various management and economic rights with respect to Harborside Oakland and Harborside San Jose. Prior to the Transaction closing, FLRish's economic rights arose from the Retail MSAs between FLRish Retail and Harborside Oakland and Harborside San Jose, and from the Farm MSA between SaVaca and FFC2. Although such MSAs provided for variable interests based on gross revenue and some day to day control they were insufficient to provide for consolidation of the financial statements of Harborside Oakland and Harborside San Jose under IFRS 10.

Pursuant to the Harborside Oakland and Harborside San Jose Merger Option Agreements additional control will be granted to FLRish effective on closing of the Transaction, regardless of the exercise of the Merger Options. Such controls include the ability to identify and elect the board of directors of Harborside Oakland and Harborside San Jose, to limit the ability of Harborside Oakland and Harborside San Jose to renegotiate or otherwise amend the MSAs, to replace executive directors, to exercise voting controls over shares, and to otherwise require various actions of Harborside Oakland and Harborside San Jose to ensure that value is retained within those entities until the Merger Options expire or are exercised. Additionally, Harborside Oakland and Harborside San Jose will not make any equity distributions so that FLRish will have the right, upon exercise of the option to obtain all value retained by the entities.

Pursuant to the terms of the Definitive Agreement FLRish and Lineage have agreed that unless there is a material change to Harborside Oakland or San Jose (excluding liability arising from the Tax Cases) the Merger Options will be exercised by the Resulting Issuer. In the event that FLRish does not exercise the Merger Options, FLRish will exercise such corporate controls over and possess the ability to capture retained earnings of the Harborside Dispensaries at the close of the Transaction in accordance with the provisions of the Merger Option Agreements. Coupled with the existing management rights and variable economic interests contained in the MSAs, FLRish believes that the Resulting Issuer will be required to consolidate its financial statements with Harborside Oakland and Harborside San Jose. The consolidation requirement arises under IFRS 10 and operates independently of whether FLRish exercises its Merger Options until such time as those options expire.

Prior Valuations

None.

Parties to Transaction

The Merger Options were negotiated by FLRish with DeAngelo (who had the advice of separate, independent counsel) prior to the execution of the Letter Agreement. DeAngelo originally agreed to the terms of the sale on April 29, 2018 and Wedding agreed on September 27, 2018 with the definitive and final Merger Option Agreements being completed on January 7, 2019. DeAngelo was a director of FLRish at the time he entered into the Merger Options and prior to entering into such agreements was the CEO. Mr. DeAngelo ceased his position as CEO of FLRish in March 2018 at which time he became the Chairman Emeritus of FLRish. Following execution of the Merger Agreements, Mr. DeAngelo was the largest shareholder of FLRish holding approximately 20% of the equity of FLRish.

Wedding was an employee of FLRish at the time he entered into the Merger Options and was not a director nor did his equity interests in FLRish exceed 5% of FLRish's then in effect capitalization.

Lineage

Lineage has not completed any significant acquisition or disposition since the beginning of the fiscal year ended January 31, 2018.

3.3 Trends, Commitments, Events or Uncertainties

In accordance with the Staff Notice 51-352, please see the table of concordance below that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally (p. 47)* *Item 4 – Narrative Description of the Business (p. 63)* *Item 4.1 – Narrative Description of the Business – Business of the Resulting Issuer (p. 70)*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Cover Page (disclosure in bold typeface)*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally (p. 47)* *Item 17 – Risk Factors – Marijuana remains illegal under U.S. federal law (p. 158)* *Item 17 – Risk Factors – Federal regulation of marijuana in the United States (p. 158)*
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally (p. 47)* *Item 17 – Risk Factors – Risks associated with travelling across borders (p. 163)* *Item 17 – Risk Factors – U.S. state regulatory uncertainty (p. 161)* *Item 17 – Risk Factors – Risks associated with young industries (p. 163)*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		Item 17 – Risk Factors – The legality of cannabis could be reversed in one or more states of operation (p. 161) *Item 17 – Risk Factors – Heightened scrutiny by Canadian regulatory authorities (p. 162)* *Item 17 – Risk Factors – Restricted access to banking (p. 162)* *Item 17 – Risk Factors – Regulatory scrutiny of the Resulting Issuer's interests in the United States (p. 163)* *Item 17 – Risk Factors – Constraints on marketing products (p. 164)* *Item 17 – Risk Factors – Risk of civil asset forfeiture (p. 165)* *Item 17 – Risk Factors – Proceeds of crime statutes (p. 165)* *Item 17 – Risk Factors – Limited trademark protection (p. 167)* *Item 17 – Risk Factors – Lack of access to U.S. bankruptcy protections (p. 168)* *Item 17 – Risk Factors – Potential FDA regulation (p. 168)* *Item 17 – Risk Factors – Legality of contracts (p. 169)* *Item 17 – Risk Factors – Newly established legal regime (p. 178)*
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*Item 4.1 – Narrative Description of the Business – Total Funds Available (p. 74)* *Item 4.1(1) – Narrative Description of the Business – Ability to Access Public and Private Capital (p. 75)*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally (p. 47) *Item 17 – Risk Factors – Heightened scrutiny by Canadian regulatory authorities (p. 162)* *Item 17 – Risk Factors – Restricted access to banking (p. 162)* *Item 17 – Risk Factors – The Resulting Issuer's management team or other owners could be disqualified from ownership in the Resulting Issuer (p. 164)* *Item 17 – Risk Factors – Newly established legal regime (p. 178)*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Item 5 – Selected Consolidated Financial Information* *Schedules "A", "B" and "C" to this Listing Statement.* **Note: at the time of the Listing Statement, the major operations of the Resulting Issuer are only in the United States**
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has been obtained.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulatory Overview (p. 46)* *Item 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Program (p. 56)*
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels (p. 48)*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	of violation which may have an impact on the issuer's licence, business activities or operations.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Program (p. 56)* *Item 17 – Risk Factors – U.S. state regulatory uncertainty (p. 161)*
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulatory Overview (p. 46)* *Item 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels (p. 47)* *Item 17 – Risk Factors – U.S. state regulatory uncertainty (p. 161)*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Program (p. 56)*
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Item 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Program (p. 56)*

Regulatory Overview

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where FLRish or Lineage is currently directly involved through their respective subsidiaries. FLRish's managed entitles under the MSAs are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the State of California, although FLRish and its owned subsidiaries currently are not directly involved. Lineage's subsidiaries are directly engaged in the use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the State of Oregon.

The Resulting Issuer will be, through its subsidiaries and controlled entities, both directly and indirectly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the State of California and the State of Oregon.

In accordance with Staff Notice 51-352, FLRish, Lineage and the Resulting Issuer will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on FLRish's, Lineage's and the Resulting Issuer's license, business activities or Operations will be promptly disclosed by FLRish, Lineage or the Resulting Issuer.

Regulation of Cannabis in the United States Federally

As of the January 16, 2018, the United States Supreme Court has ruled that Congress has the power to regulate cannabis.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." **The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, marijuana is largely regulated at the state level in the United States.

State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the Controlled Substances Act. Although FLRish's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve FLRish of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against FLRish.

The risk of federal enforcement and other risks associated with the Resulting Issuer's business are described in Item 17 – *Risk Factors.*

Regulation of the Cannabis Market at State and Local Levels

State-Level Overview

Regulations differ significantly amongst the U.S. states. Some U.S. states only permit the cultivation, processing and distribution of medical marijuana and marijuana-infused products. Some U.S. states may also permit the cultivation, processing, and distribution of marijuana for adult purposes and retail marijuana-infused products. The following sections present an overview of state-level regulatory and operating conditions for the marijuana industry in which the Resulting Issuer will have a direct, indirect and material ancillary involvement (i.e., California and Oregon)**.**

California – Regulatory Regime

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 ("**CUA**"). Oakland, California, was the first jurisdiction to license commercial cannabis activities in the United States. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("**AUMA**") creating an adult-use marijuana program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are BCC, California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration. MAUCRSA went into effect on January 1, 2018.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities or counties with marijuana licensing programs. Therefore, cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana cultivation, manufacturing or sales.

In California, there are four U.S. Attorneys covering the Central, Eastern, Northern, and Southern regions of the state, respectively. Below is a brief summary of each U.S. Attorney's enforcement priorities related to state-legal marijuana.

In the Central District, current U.S. Attorney Nicola T. Hanna is a former Assistant U.S. Attorney who has prosecuted cases involving money laundering, narcotics trafficking, as well as violent and economic crimes. Ms. Hanna has not yet taken a public stance on his office's enforcement priorities related to state-legal marijuana.

The U.S. Attorney for the Eastern District, McGregor Scott, previously served in the same position from 2003 to 2009. During his first tenure in the role, Mr. Scott prosecuted several people in California's medical marijuana industry, including one case in which two of the individuals prosecuted each received prison sentences of 20 years or more.[2] After the rescission of the Cole Memo in January 2018, Mr. Scott's office issued the following statement: "The cultivation, distribution and possession of marijuana has long been and remains a violation of federal law for all purposes. We will evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources." In May 2018, Mr. Scott stated that his marijuana enforcement priorities would be focused on illegal cultivation on federal land, cartels dealing in marijuana, and interstate trafficking.[3] Mr. Scott also said, "The reality of the situation is that there is so much black-market marijuana in California that we could go after just the black market and never get [to state-licensed operations]." He explained that this black market is made up of "people who have no intent of ever entering the legal system that has been created and California has attempted to establish."

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[2] Branan, Brad. (2018 January 4). Sessions' weed decision puts spotlight on new U.S. attorney for eastern California. Available from https://www.sacbee.com/news/state/california/californiaweed/article193086764.html.

[3] Miller, Cheryl. (2018 May 29). McGregor Scott's Pot Policies Track Obama-Era 'Cole Memo.' Available from https://www.law.com/therecorder/2018/05/29/mcgregor-scotts-pot-policies-track-obama-eracolememo/?slreturn=20180916155413.

In the Northern District, U.S. Attorney David L. Anderson was recently sworn in to office in Jaunary 2019. From 1998 to 2002, he was an Assistant United States Attorney, and from 2008 to 2010, he was First Assistant United States Attorney. For 20 years, while not in government service, Mr. Anderson practiced at a large law firm. To date, Mr. Anderson has issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities .

The U.S. Attorney for the Southern District is Robert S. Brewer. He previously served as a Deputy District Attorney in Los Angeles County from 1975 to 1977, and as an Assistant United States Attorney in the Central District of California from 1977 to 1982, where he successfully prosecuted a variety of cases including espionage, bank robbery, murder for hire and aircraft hijacking. From 1982 through the present, Mr. Brewer was in private practice, including from 1991 to 2009 as a partner at McKenna Long & Aldridge LLP, and from 2009 to 2014 as a partner at Jones Day. To date, Mr. Brewer has issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities.

California – Licenses

The Resulting Issuer and its subsidiaries will be licensed to operate as Medical and Adult-Use Retailers, Cultivators, Manufacturers and Distributors under applicable California and local jurisdictional law. The Resulting Issuer's licenses will permit it to possess, cultivate, process, dispense and sell medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by the BCC, the California Department of Food & Agriculture and the California Department of Public Health under the provision of the MAUCRSA and California Assembly Bill No. 133. The Resulting Issuer, through its subsidiaries, will have obtained the rights to the entities that were ultimately licensed pursuant to applications submitted directly to applicable state and local regulatory bodies as well as several acquisitions in the form of stock and/or asset purchase agreements. The licenses are independently issued for each approved activity for use at the Resulting Issuer's facilities in California. Please see table below for a list of the licenses issued in respect of the Resulting Issuer's operations in California, which will be acquired, indirectly, by the Resulting Issuer on completion of the Transaction assuming exercise of the Merger Options.

<table>
<tr><th>Holding Entity</th><th>Permit/License</th><th>City</th><th>Expiration/Renewal Date (if applicable) (MM/DD/YY)</th><th>Description</th></tr>
<tr><td rowspan="12">FLRish Farms Cultivation 2, LLC</td><td>SR GHC 103-206886</td><td rowspan="12">Salinas</td><td>N/A</td><td>CA Seller's Permit</td></tr>
<tr><td>CD STF 095 - 000889</td><td>N/A</td><td>Cannabis Tax Permit</td></tr>
<tr><td>100177</td><td>1/1/2020</td><td>CA Weighmaster License</td></tr>
<tr><td>TAL18-0008289</td><td rowspan="3">4/9/2019</td><td rowspan="9">Adult-Use - Cultivation License</td></tr>
<tr><td>TAL18-0008288</td></tr>
<tr><td></td></tr>
<tr><td>PAL18-0000665</td><td>3/19/2020</td></tr>
<tr><td>PAL18-0000708</td><td>3/25/2020</td></tr>
<tr><td>PAL18-0000914</td><td rowspan="5">3/29/2020</td></tr>
<tr><td>PAL18-0000917</td></tr>
<tr><td>PAL18-0000919</td></tr>
<tr><td>PAL18-0000984</td></tr>
<tr><td>PAL18-0000915</td></tr>
</table>

	PAL18-0000919			
	PAL18-0000922			
	TAL18-0008250		4/9/2019	Medicinal - Cultivation License
	TAL18-0008267			
	TAL18-0008266			
	PML18-0000667		3/19/2020	
			3/29/2020	
	PML18-0000923			
	PML18-0000913			
	PML18-0000912			
	PML18-0000910			
	PML18-0000916			
	A11-18-0000244		7/15/2019	Adult & Medical-Use - Distributor
	PAL18-0000444		3/20/2020	Adult Nursery
	PAL18-0000445		3/20/2020	Adult Processor
	CDPH-T00000953		5/3/2019	Adult & Medical A-Type 6 non volatile solvent extraction
San Jose Wellness Corp.	SR GH 101-542317	San Jose	N/A	CA Seller's Permit
	CD STF 095-000981		N/A	Cannabis Tax Permit
	CDPH-10001913		2/5/2020	Adult & Medicinal Manufacturing License
	A11-17-0000008-TEMP		7/25/2019	Adult & Medical-Use - Distributor License
	A10-17-0000023-TEMP		7/25/2019	Adult & Medical-Use - Retailer License
Patients Mutual Assistance Collective Corp.	SR CH 100-878259	Oakland	N/A	CA Seller's Permit
	CD STF 095-000570		N/A	Cannabis Tax Permit
	CDPH-T00000090-TEMP		4/24/2019	Adult & Medical Use - Manufacturing License

	A11-17-0000011-TEMP		7/25/2019	Adult & Medical-Use - Distributor License
	A10-17-0000041-TEMP		7/25/2019	Adult & Medical-Use - Retailer License

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the BCC, the California Department of Food & Agriculture and the California Department of Public Health, as applicable. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the Resulting Issuer would expect to receive the applicable renewed license in the ordinary course of business. While the Resulting Issuer's compliance controls will have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Resulting Issuer's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Resulting Issuer and may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

- The Adult-Use Retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older who do not possess a physician's recommendation. Under the terms of such licenses that it holds, the Resulting Issuer will be permitted to sell adult-use cannabis and cannabis products to any domestic and international qualified customer, provided that the customer presents a valid government-issued photo identification.
- The Medicinal Retailer licenses permit the sale of medicinal cannabis and cannabis products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations.
- The Adult-Use and Medicinal Cultivation licenses, which the Resulting Issuer is expected to have, permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the State of California for resale or manufacturing purposes.
- The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities. Distribution activity is permissible to and from certain licenses held by the Resulting Issuer and certain licenses not held by the Resulting Issuer.

In the State of California, only cannabis that is grown in the state can be sold in the State. Although California is not a vertically integrated system, the Resulting Issuer will be vertically integrated and will have the capabilities to cultivate, harvest, process and sell/dispense/deliver cannabis and cannabis products. California will also allow the Resulting Issuer to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

California – Reporting Requirements & Storage/Security

The State of California has selected Franwell Inc.'s METRC system as the state's T&T system used to track commercial cannabis activity and movement across the distribution chain (i.e., from seed-to-sale). The METRC system is in the process of being implemented state-wide but has not been released. When operational, the system will allow for other third-party system integration via application programming interface ("**API**"). The Resulting Issuer currently utilizes an electronic T&T system independent of METRC that will integrate with METRC via API. T&T currently captures required data points for cultivation, distribution and retail as stipulated in the BCC regulations. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Resulting Issuer will be required to do, among other things, the following:

1. maintain a fully operational security alarm system;
2. contract for security guard services;
3. maintain a video surveillance system that records continuously 24 hours a day;
4. ensure that the facility's outdoor premises have sufficient lighting;
5. not dispense from its premises outside of permissible hours of operation;
6. store cannabis and cannabis product only in areas per the premises diagram submitted to the State of California during the licensing process;
7. store all cannabis and cannabis products in a secured, locked room or a vault;
8. report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
9. to ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered with the BCC, that meet the BCC's distribution requirements, are to be used to transport cannabis and cannabis products.

<u>California – Local Tax Measures</u>

On November 6, 2018, Oakland voters passed Measure V, “Marijuana Business Tax Amendments”, a measure to amend provisions of the marijuana business tax law in Oakland, California. The passage of Measure V was viewed by many as one of the most important cannabis ballot measures to come before Oakland voters in recent years. Measure V amends provisions of the marijuana business tax law to: (i) allow marijuana business to deduct the cost of raw materials from their gross receipts, (ii) allow marijuana businesses to pay taxes on a quarterly basis, and (iii) allow Oakland City Council to amend the law in any manner that does not increase the tax rate. Because of a mistake in Oakland's predecessor cannabis tax ordinance, city council had not previously not able to lower the adult use cannabis tax rate. Measure V gave them that power, addressing issues which had been viewed by many as critical for the survival of the cannabis industry in Oakland.

The November 2018 Oakland election also resulted in Loren Taylor winning a seat on Oakland City Council (District 6). Loren Taylor replaced Desley Brooks, an entrenched incumbent who was known to be difficult on cannabis issues.

The results of the November 2018 election are largely viewed as positive by those involved in the Oakland cannabis industry. It suggests that certain industry players may now be positioned to work with the Oakland City Council to lower the adult use tax rate. There can be no assurance, however, that Oakland City Council will be willing to exercise the power granted to them by Measure V or work in any way with the cannabis industry to lower the adult use tax rate.

<u>Oregon – Regulatory Regime</u>

At present, Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana businesses. However, the original regulations created by the Oregon Health Authority (“**OHA**”) after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system. On June 30, 2015, Gov. Kate Brown signed House Bill

3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators (growers) and processors. The OHA is the state agency that licenses and regulates medical marijuana businesses. The medical marijuana regulatory framework is referred to as the Oregon Medical Marijuana Program (the "**OMMP**").

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 adult-use marijuana businesses. The Oregon Liquor and Cannabis Commission (the "**OLCC**") is the state agency that licenses and regulates adult-use marijuana businesses. The home grow/personal possession provisions of Measure 91 went into effect on July 1, 2015 and the OLCC began issuing commercial adult-use licenses in the Spring of 2016. The 2015, 2016 and 2017 sessions of the Oregon Legislature made technical changes to Measure 91, which are codified in Oregon Revised Statues (ORS) 475B.005 through 475B.968. In particular, the Oregon Legislature changed the way adult-use marijuana is taxed, imposing a seventeen percent (17%) tax at the retail level, abolished a two-year residency requirement for ownership, and allowed local jurisdictions (cities and counties) to opt-out of the adult-use marijuana market (many jurisdictions, especially in Eastern Oregon, adopted opt-out ordinances). In addition, the OLCC engages in rulemaking on an ongoing basis, amending and restating the Oregon Administrative Rules ("**OAR**") which govern the adult-use regulatory regime, contained in OAR 845-025-100 through 845-025-8750.

On May 18, 2018, Billy J. Williams, U.S. Attorney for the District of Oregon, issued a memorandum outlining his office's enforcement priorities related to marijuana.[4] Williams listed the following primary enforcement priorities in the memorandum: (1) overproduction and interstate trafficking; (2) protecting Oregon's children; (3) violence, firearms, or other public safety threats; (4) organized crime; and (5) protecting federal lands, natural resources, and Oregon's environment. As to overproduction in particular, Williams stated, "there can be no doubt that there is significant overproduction of marijuana in Oregon, and as a result, a thriving black market is exporting marijuana across the country, including to states that have not legalized marijuana under their state laws." He also made clear that he "will not make broad proclamations of blanket immunity from prosecution to those who violate federal law," but added that his "office's resources are finite" and that they "must use appropriate discretion before prosecuting any federal case." He went on to explain that his office will explore the use of civil law enforcement mechanisms, coordinate closely with partners in state, tribal, and local governments around the state, and "focus enforcement efforts on federal violations implicating one or more of the priority elements of this [memorandum]." Williams has told Oregon Governor Kate Brown's senior policy advisor that he would like to see limits on licenses for marijuana producers and retailers.[5]

In June 1999, the White House Office of National Drug Control Policy created the Oregon-Idaho High Intensity Drug Trafficking Area program ("**HIDTA**") to "facilitate, support and enhance collaborative drug control efforts among law enforcement agencies and community-based organizations; thus significantly reducing the impacts of illegal trafficking and use of drugs throughout Oregon and Idaho."[6] In August 2018, HIDTA released a report entitled "An Initial Assessment of Cannabis in Oregon." In response to this report's findings, U.S. Attorney Williams issued the following statement:

The recent HIDTA Insight Report on marijuana production, distribution, and consumption in Oregon confirms what we already know—it is out of control. The industry's considerable and negative impacts on land use, water, and underage consumption must be addressed immediately. State officials should respond quickly and in a comprehensive manner to address the many concerns raised by this assessment. To date, we've seen insufficient progress from our state officials. We are alarmed by revelations from industry

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[4] The United States Attorney for the District of Oregon. (2018 May 18). Priorities in Enforcement of Federal Laws Involving Marijuana in the District of Oregon. Available from http://media.oregonlive.com/marijuana/other/2018/05/18/USAORMarijuana%20Enforcement%20Priorities-Final%20(1).pdf

[5] Crombie, Noelle. (2018 May 18). Feds will target marijuana black market, overproduction in Oregon. Available from https://www.oregonlive.com/marijuana/index.ssf/2018/05/black_market_overproduction_am.html.

[6] Oregon-Idaho High Intensity Drug Trafficking Area Program Overview. Available from http://oridhidta.org/.

representatives, landowners, and law enforcement partners describing the insufficient and underfunded regulatory and enforcement structure governing both recreational and medical use. A weakly-regulated industry will continue to detract from the livability and health of communities throughout the state.

What is often lost in this discussion is the link between marijuana and serious, interstate criminal activity. Overproduction is rampant and the illegal transport of product out of state—a violation of both state and federal law—continues unchecked. My ask continues to be for transparency, responsible regulation, adequate funding, and a willingness to work together. It's time for the state to wake up, slow down, and address these issues in a responsible and thoughtful manner.[7]

In late August 2018, federal prosecutors made six arrests related to marijuana allegedly being trafficked from Oregon to Florida, Texas, and Virginia.[8] Those arrested were not affiliated with licensed recreational or medical programs in Oregon. In response to these arrests, Williams said, "These cases provide clear evidence of what I have repeatedly raised concerns over: Oregon's marijuana industry is attracting organized criminal networks looking to capitalize onthe state's relaxed regulatory environment."

Oregon - Licenses

Currently, there are six types of adult-use marijuana licenses: producer, processor, wholesaler, retailer, laboratory, a certificate for research, and a hemp certificate. A producer is also known as the grower. A processor is a business that will transform the raw marijuana into another product (topical, edibles, concentrates, or extracts). A wholesaler is a business that buys in bulk and sells to licensees rather than to consumers. A retailer is a business that sells directly to consumers. A laboratory will test marijuana based on rules established by the OHA. To receive a laboratory license a lab must be accredited by the Oregon Environmental Laboratory Accreditation program ("**ORELAP**"). The hemp certificate allows persons that are registered with the Oregon Department of Agriculture ("**ODA**") to transfer hemp flower, extracts, or concentrates to OLCC licensed processors who hold an industrial hemp processor endorsement. A retailer can receive hemp items from an OLCC licensed processor with a hemp endorsement or from OLCC licensed wholesalers.

On September 24, 2018, Lineage completed the acquisition of Terpene Station including the Marijuana Retailer Licenses from the OLCC for the 2018 calendar year, which must be renewed yearly.

Through its subsidiaries, the Resulting Issuer will be licensed by the OLCC to sell recreational and medicinal cannabis and cannabis products in the State of Oregon. Please see table below for a list of the licenses issued in respect of the Resulting Issuer's operations in Oregon, which will continue to be held by the Resulting Issuer on completion of the Transaction.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
LGCLORDIS1 LLC	050-101140111D9	Portland, Oregon	09/23/2019	Oregon Liquor Control Commission marijuana retail license

[7] The United States Attorney for the District of Oregon. (2018 August 2). U.S. Attorney Statement on Release of 2018 HIDTA Marijuana Insight Report. Available from https://www.justice.gov/usao-or/pr/usattorney-statement-release-2018-hidta-marijuana-insight-report.

[8] Flaccus, Gillian. (2018 August 29). 6 arrests in pot trafficking case. Available from https://www.bendbulletin.com/localstate/6483494-151/6-arrests-in-pot-trafficking-case.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
LGCLORDIS2 LLC	050-1011403433E	Eugene, Oregon	09/23/2019	Oregon Liquor Control Commission marijuana retail license

The retail licenses that the Resulting Issuer will continue to hold following completion of the Transaction will afford the Resulting Issuer the ability to sell recreational useable cannabis, extracts, concentrates and products directly to consumers, as well as selling medicinal cannabis and cannabis products to OMMP patients and their designated primary caregivers. Retail licensed facilities are responsible for compliance with Oregon law regarding customer age, required public safety notices, and educating the public as to Oregon law surrounding cannabis. Customers must be age 21 or over or be registered with the OMMP as a patient or caregiver.

Licenses issued by OLCC may be renewed annually so long as the licensee meets the requirements of the law and pays the renewal fee. Applicants must demonstrate (and license holders must maintain) that: (i) they are registered with the Oregon Secretary of State to do business in Oregon, (ii) they have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (iii) they have the ability to secure the premises, resources, and personnel necessary to operate the license, (iv) they have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated seed-to-sale software to prevent diversion or unlawful access to these materials, (v) they have the financial ability to maintain operations for the duration of the license, (vi) all owners have passed background screening, inclusive of fingerprinting, and (vii) that all local land use, zoning, and planning notices have been followed in the development of the licensed site.

Vertical integration between cultivation, processor and dispensary is permissible, but not required, for medical marijuana businesses. Vertical integration between producer, processor, wholesaler and retailer is permissible, but not required, for adult-use marijuana businesses. The law does not impose a limit on the number of licenses and applications are currently being accepted for either medical and adult-use businesses on a rolling basis, with no closing date for the acceptance of licenses. Local governments in local jurisdictions (cities or counties depending on the location) may restrict the number of both medical or adult-use marijuana businesses, impose reasonable time, place and manner restrictions and impose up to an additional three percent (3%) at the retail level.

Oregon – Reporting Requirements & Storage/Security

In Oregon, registered medical marijuana dispensaries, processors and certain growers are required to comply with reporting and tracking requirements. Two reporting and tracking systems are in use for medical marijuana registrants. If you are required to report, you must use either:

- **CTS** - the Cannabis Tracking System, used to report daily and administered by OLCC, ***OR***
- **OMMOS** - the Oregon Medical Marijuana Online System, used to report monthly to OMMP

The State of Oregon has selected Franwell Inc.'s METRC solution as the state's T&T system used to track commercial cannabis activity and movement across the seed-to-sale distribution chain. The Resulting Issuer is expected to utilize an electronic T&T system independent of METRC that integrates with METRC via API. The T&T that will be used by the Resulting Issuer in Oregon captures required data points for cultivation, distribution and retail as stipulated in OLCC regulations.

A licensee must maintain a fully operational alarm and video monitoring system at all times. Commercial grade, non-residential door locks are required on every external door. The alarm system must secure all entry points and be equipped with motion detectors and pressure activated panic alarms. The 24-hour video surveillance system must record at a high-resolution format approved by the OLCC and have camera coverage which covers all areas of the facility without any blackout areas. Video footage must be backed up for a minimum of 30 days in hard-form, with a minimum of 90 days available on request. Additionally, the camera system must have the ability to print still photos. 26 dispensaries are the only facilities allowing public access. These facilities must include a waiting area with sufficient space and seating to accommodate customers. This waiting area is separated from the consumer sales area by a locked door that is controlled by an employee within the secured area. All other facilities require signage advising that there is no public entry. Any vendors or contractors that must be on site have to be fully checked in through a visitor log and must be accompanied at all times by an employee.

Recreational and medicinal cannabis and cannabis products must be stored in a secured, locked room or vault. Vaults that are large enough to allow a person to walk in must have cameras inside so that there is no blind spot. Smaller safes must be bolted to the floor. When products are transferred between licensees, they must first be fully manifested through the state mandated 'seed-to-sale' system. This written manifest must include: (i) departure date and time, (ii) name, address, and license number of the originating licensee, (iii) name, address, and license number of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number, and (vii) name and signature of the employee delivering the product. A copy of this manifest is provided to the receiving licensee for their verification. Upon receiving the transfer, the licensee must immediately verify the shipment versus the manifest and accept it electronically within the 'seed-to-sale' system. This completes the inventory transfer. OLCC licensee's must maintain these records for a minimum of 3 years. During transport, all product is packaged individually by order, and maintained within a locked receptacle within the vehicle. All deliveries must be completed within 24 hours.

Compliance Program

FLRish Compliance Program

FLRish currently has a Director of Quality Compliance who is mandated to oversee, maintain, and implement the quality compliance program and personnel in conjunction with general counsel and the Chief Compliance Officer. In addition to FLRish's robust legal and quality compliance departments, FLRish also has local regulatory/compliance counsel engaged in every jurisdiction (state and local) in which it operates. The Director of Quality Compliance and compliance managers serve as the liaison to state and local regulators during both regular business hours and after hours. The quality compliance department is responsible for ensuring operations and employees strictly comply with applicable laws, regulations and licensing conditions and ensure that operations do not endanger the health, safety or welfare of the community. The Director of Quality Compliance coordinates with the Director of Security to ensure that the operation and all employees are following and complying with FLRish's written security procedures.

The quality compliance department develops and provides training for all employees on a wide range of topics including, but not limited to, the following:

- Compliance with state and local laws and regulations;
- Good production practices for healthy cannabis;
- Dispensing procedures;
- Safety, security & surveillance;
- Inventory control via auditing records within the company's internal track and trace system;
- Quality assurance and quality control;
- Cannabis transportation and delivery procedures;
- Monitoring daily limits for recreational and medical purchases; and
- Collaborating on monitoring state, local and cannabis taxation within our internal systems via audits.

The quality compliance department has carried out an extensive gap analyses and is continuously working towards establishing risk-based preventive measures while recommending appropriate remediation and corrective actions via effective communication and trainings.

The following is a summary of quality compliance highlights since January 1, 2018:

- Conducted eighteen (18) internal audits and mock inspections of retail, distribution, and cultivation facilities (Oakland, San Jose, Salinas);
- Created and delivered over 30 checklists, questionnaires and training presentations to staff;
- Collected, compiled and organized over 400 standard operating procedures and developing a document management system for tracking the use and updating of those documents across the enterprise;
- Formulated more than 20 potential pathways between the 34 licensees within the enterprise to increase profitability and efficiencies while reducing taxes; and
- Reviewing all of the COAs for our harvests, pesticide control, and overall good production practices.

FLRish's quality compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access FLRish's computerized seed-to-sale system and strict controls will be implemented when California releases the statewide track and trace system.

FLRish has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, record keeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. FLRish maintains accurate records of its inventory at all licensed facilities. Adherence to FLRish's standard operating procedures is mandatory and ensures that FLRish's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements.

FLRish will continue to monitor compliance on an ongoing basis in accordance with its quality compliance program and standard operating procedures. While FLRish's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Item 17 - *Risk Factors* below, there are significant risks associated with the business of FLRish. Readers are strongly encouraged to carefully read all of the risk factors contained in Item 17 - *Risk Factors*.

Lineage Compliance Program

Lineage is classified as having a "direct" involvement in the U.S. marijuana industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. Lineage is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by each applicable U.S. state which may have an impact on its licenses, business activities or operations.

Lineage has in place a detailed compliance program headed by its VP Retail who oversees, maintains, and implements the compliance program and personnel. In addition to Lineage's robust internal legal and compliance departments, Lineage has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates. Lineage's compliance department oversees training for all employees, including on the following topics:

- compliance with state and local laws;
- safe cannabis use;
- dispensing procedures;
- security and safety policies and procedures;

- inventory control;
- T&T training sessions;
- quality control; and
- transportation procedures.

Lineage's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by licensed producers and distributors to sale or disposal. Only authorized, properly trained employees are allowed to access Lineage's computerized seed-to-sale system.

Lineage's VP Retail monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. Lineage keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, Lineage has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. Lineage maintains accurate records of its inventory at all licensed facilities. Adherence to Lineage's standard operating procedures is mandatory and ensures that Lineage's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. Lineage ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

In January 2018, former United States Attorney General, Jeff Sessions rescinded the Cole Memorandum and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice.[9] As an industry best practice, despite the recent rescission of the Cole Memorandum, Lineage continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations of its subsidiaries are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, Lineage retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- The activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where cannabis is permitted for adult recreational use, cannabis products are only sold to individuals who meet the requisite age requirements; and
- Lineage only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels.

Lineage will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While Lineage's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Item 17- *Risk Factors* below, there are significant risks associated with the business of Lineage. Readers are strongly encouraged to carefully read all of the risk factors contained in Item 17 – *Risk Factors*.

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[9] U.S. Dept. of Justice. (2013). Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement. Washington, DC: US Government Printing Office. Available from https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

Resulting Issuer Compliance Program

The Resulting Issuer will continue the quality compliance program of FLRish for its California operations and the quality compliance program of Lineage with respect to the Oregon operations in near term.

United States Industry Background & Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found solid evidence that cannabis can treat pain and muscle spasms.[10] The pain component is particularly important, because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates.[11]

Polls throughout the U.S. consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 94% of the U.S. voters support legalizing cannabis for medical use.[12] In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.[13] These represent large increases in public support over the past 40 years in favor of legal cannabis use.

Notwithstanding that 33 states have now legalized adult-use and/or medical marijuana,[14] marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the CSA. See Item 4 and Item 17 below.

On completion of the Transaction, the Resulting Issuer is expected to have operations in the State of California and the State of Oregon only, with its expansion focused on the U.S. west coast and particularly in California.

Current U.S. Cannabis Market

Subsequent to the support for legal access to marijuana at the state level, there has been rapid opportunity growth in the U.S. market. Sales of legal cannabis flowers and cannabis-infused derivative and edible products totaled US$6.1 billion in 2017, and are expected to reach US$8.8 billion in 2018 with approximately 36% of sales for medical use and 64% for full adult use.[15] The U.S. market for direct legal cannabis sales alone is projected to grow to US$17 billion by 2021[16] and the total addressable market for direct cannabis

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[10] Grant, Igor MD (2015). Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

[11] Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. JAMA Intern Med. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

[12] Quinnipiac University. (2017 April 20). U.S. Voter Support For Marijuana Hits New High; Quinnipiac University National Poll Finds; 76 Percent Say Their Finances Are Excellent Or Good. Available from https://poll.qu.edu/national/release-detail?ReleaseID=2453.

[13] Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Available from http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx.

[14] Jeremy Berke and Skye Gould, "Michigan is the 10th state to legalize recreational marijuana. This map shows every US state where pot is legal." Business Insider (2018). Available from: https://www.businessinsider.com/legal-marijuana-states-2018-1.

[15] Marijuana Business Daily. (2017). Marijuana Business Factbook, 2017. Available from https://mjbizdaily.com/factbook/.

[16] Arcview Market Research & New Frontier Data. (2016). The State of Legal Marijuana Markets (4th ed.), pp. 11. Available from https://www.arcviewmarketresearch.com/4th-edition-legal-marijuana-market/.

sales in the U.S. today is estimated at US$45-50 billion if every state legalized full adult recreational consumption.[17]

The number of medical cannabis patients in states with existing comprehensive medical cannabis programs was approximately 1.5 million by the end of 2017, served by approximately 1500-2000 medical dispensaries nationwide, a disproportionate number of those in California. It`s currently estimated that each patient spends about US$2,000 annually,[18] and that the total number of medical cannabis patients nationwide is expected to grow to 2.5 million by 2021.[19]

<u>Overview of California Market</u>

California is anticipated to be one of the largest and fastest growing legal cannabis markets in the U.S. and internationally. In 2017, California state-legal cannabis sales totaled approximately US$3 billion, representing roughly 35% of total state-legal U.S. cannabis sales.[20] However, illegal cannabis sales also continue. As of November 2017, a University of California Agricultural Issues Center study indicated that 75% of California cannabis sales were conducted illegally, while the legal market accounted for 25% of total sales.[21] The same study predicted that legal adult-use sales will eventually constitute 61.5% of overall sales, legal medical sales will constitute only about 9% of the overall market, and the illicit market will maintain 29.5% of the market.

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[17] Marijuana Business Daily. (2017). Marijuana Business Factbook, 2017. Available from https://mjbizdaily.com/factbook/

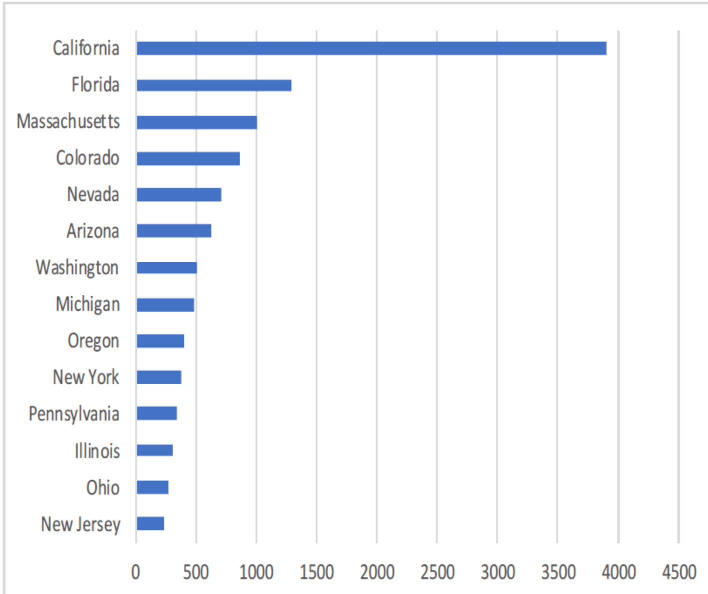
[18] Marijuana Business Daily. (2017). Marijuana Business Factbook, 2017. Available from https://mjbizdaily.com/factbook/.

[19] New Frontier Financial. (2015). Modeling of State Patient Counts. Cannabis Weekly.

[20] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018; Ackrell Capital, *2018 Cannabis Investment Report*, December 28, 2017.

[21] LA Times, *Legal marijuana could be a $5-billion boon to California's economy*, http://www.latimes.com/politics/la-pol-ca-pot-economic-study-20170611-story.html, June 11, 2017; Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018 citing "Despite various forms of legalization in 30 states, the size of illicit market sales continued to dwarf legal in 2017, with New Frontier Data estimating an illicit market over 3x legal demand. This leaves substantial headroom for growth."

Incremental Revenue by State 2018-2022E (US$M)



Source: Canaccord Genuity estimates[22]

In 2016, state regulators established more robust product manufacturing and testing requirements for cannabis concentrate sales in 2016,[23] challenging production from some operators. Nevertheless, sales growth from manufactured products (concentrates, extracts, edibles, tinctures, and capsules) in California have recently outpaced flower sales, growing from 26% of sales in December 2017 to 39% of sales in December 2018.

As legalized sales increase and gain market share from illicit sales, California's legal cannabis sales are forecasted to:

- Generate US$2.8 billion in sales in 2018;[24]
- Increase at a 25% compound annual growth rate to US$6.9 billion[25] in 2022;
- Account for approximately 35% of the growth of the US cannabis industry from 2018 to 2022;
- Shift from predominantly medical sales in 2017 to predominantly recreational sales by 2022;[26]
- Represent over 30% of the U.S. cannabis market and roughly 22% of the global cannabis market in 2022; and
- Remain larger than Canada's legal market through 2022.[27]

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[22] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018, Figure 23.

[23] Canaccord Genuity, Golden Leaf Holdings Initial Coverage, February 2018, citing "As one of the first states to legalize recreational cannabis, understanding and regulating the complexity of extracted products proved to be quite challenging in Oregon. In order to ensure quality and safety of legal cannabis extracts, regulators implemented more robust product manufacturing and testing requirements in 2016, resulting in production challenges for many operators in the state."

[24] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018.

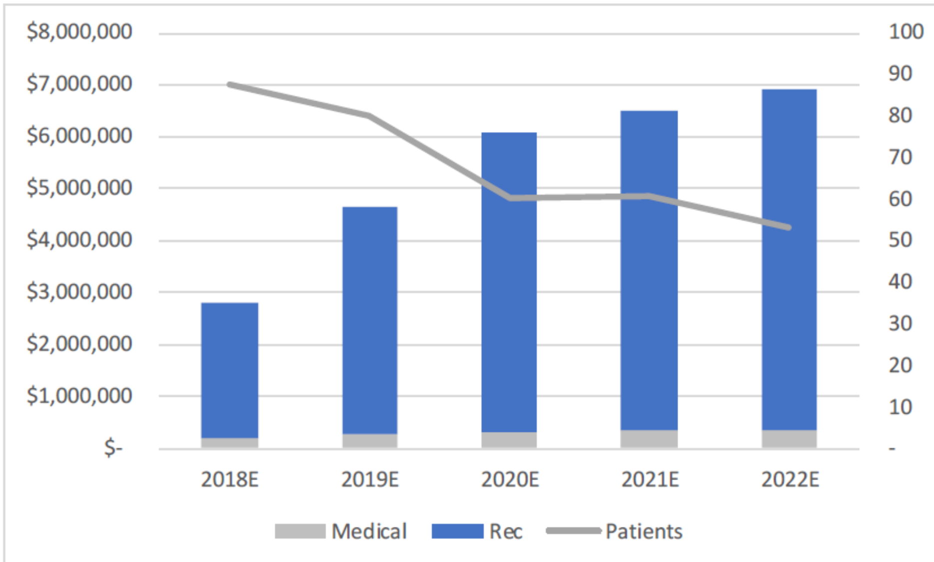
[25] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018.

[26] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018 citing "We expect growth in the key medical markets above to be significantly offset by a sharp decline in California medical sales over the forecast period. California's medical program generated approximately $3B in revenues in 2017, and we expect California's medical market to decline in value significantly over the next five years as recreational sales increase, similar to patterns that have occurred in other recreational states. Within our current forecast, we estimate that by 2022 the California medical marijuana market will be approximately $350M, which represents an average annual decline of 35%."

[27] New Frontier Data, *CannaBit: Comparing Cannabis Demand Growth in Canada and California*, August 29, 2018.

In 2017, California state-legal cannabis sales totaled approximately US$3 billion, represented roughly 35% of total state-legal U.S. cannabis sales.

California Market Estimate 2018E-2022E



Source: California Bureau of Cannabis Control, state marijuana program websites, U.S. Census Bureau

Source: Canaccord Genuity estimates[28]

Recreational dispensaries are largely located in only a minority of jurisdictions in California, while many other jurisdictions do not yet have access to nearby recreational dispensaries.

Overview of Oregon Market

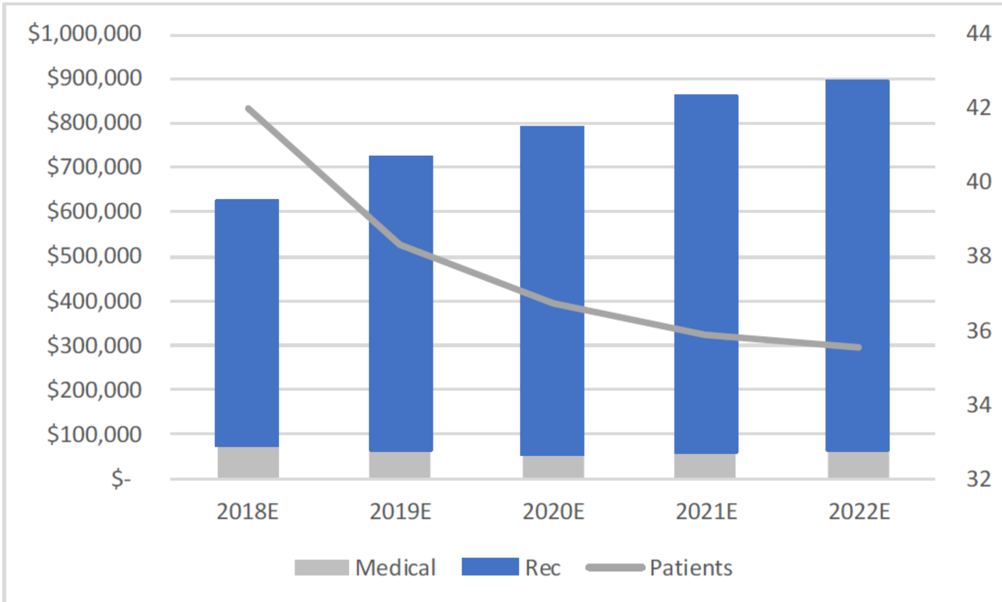
After passing medical cannabis legalization in 1998, Oregon was one of the earliest states in the U.S. to legalize adult-use cannabis in 2014 with recreational sales beginning in 2015. The state maintains around 50,000 registered medical cannabis patients and roughly 12-15% of Oregonian adults use cannabis, establishing an addressable market of at least 500,000 consumers.[29] Industry experts forecast that the Oregon market will increase from US$628 million in 2018 to nearly $900 million in 2022.[30]

[28] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018, Figure 23.

[29] Canaccord Genuity, Golden Leaf Holdings Initial Coverage, February 2018, citing "Oregon has a population of approximately 4 million individuals, with >50,000 registered medical marijuana patients and an estimated 15% of adults using rec marijuana (or ~500,000 consumers)."

[30] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018, citing "Meanwhile, overall demand remains healthy and we expect sales to reach $628M in 2018, up from $486M last year, growing to $894M in 2022."

Oregon Market Estimate 2018E-2022E



Source: Canaccord Genuity estimates[31]

Additionally, industry forecasts anticipate that over time, the number of registered medical patients may decline as consumers transition to the recreational market.[32] Despite this decline in patients, Oregon is forecast to be among the top 10 states contributing incremental revenue to the overall U.S. market through 2022.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

Business of Lineage

Prior to Lineage's acquisition of Terpene Station Dispensaries on September 24, 2018, Lineage's business focus was to provide consulting and equipment leasing services and licensing intellectual property to Mt. Baker in Washington State. After the acquisition of Terpene Station, Lineage terminated the Mt. Baker Definitive Agreements to refocus its business to the operation of the Terpene Station Dispensaries.

Currently Lineage is a Canada-based, retail cannabis company currently focused on the line of business in the U.S. cannabis market. Lineage owns and operates two retail licensed stores located in two prominent cities in Oregon (Portland and Eugene). Lineage views Oregon as providing ongoing opportunities for growth given the long-standing history of the Oregon market operating under an adult-use regulatory framework for cannabis.

Lineage is operated by an experienced cannabis executive team. Lineage had 19 employees/consultants as of early October 2018 in the United States and Canada.

[31] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018, Figure 34

[32] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018, citing" Maine should lose 21,000 patients as its rec program ramps. Other states expected to see declining patient populations include Oregon (17,000 reduction) and Colorado (13,000) as each of these states see continued growth for their mature recreational use programs."

Terpene Station Dispensaries

Lineage offers an inclusive and informative retail experience to its customers at the Terpene Station Dispensaries. Lineage strives to ensure that customers can comfortably navigate its selection of products with the assistance of highly trained, qualified and helpful employees. All marijuana products sold in Lineage's retail stores are compliant with state-mandated testing and packaging requirements and “seed-to-sale” tracking requirements. Lineage operates its retail operations through two wholly-owned subsidiaries in Oregon under the “Terpene Station” brand, that serve both recreational and medical marijuana customers.

Branding and Marketing

Lineage applies standard and consistent branding and marketing at both of its dispensaries operating as “Terpene Station”. To support its retail operations, Lineage has a dedicated marketing team that engages potential customers through in-store demos, social media, promotions and a loyalty program. Educating consumers on their path to wellness is a key component of the strategy.

Product Selection

Lineage seeks to provide consumers with a safe, consistent, fresh and high-quality supply of cannabis. Lineage's buyer makes product selection decisions, including negotiating and receiving bids from potential vendors in the Oregon wholesale cannabis market across all product categories including flower, vape pens, oils, extracts, edibles, clones and pre-rolls. There are a number of factors that drive Lineage's product selection decisions at the Terpene Station Dispensaries including: compliance, product quality, margin potential, consumer opinion and the ability for the respective brands to meet demand as the market expands.

The Terpene Station Dispensaries make available a variety of third-party cannabis and cannabis products. Cannabis and cannabis products for sale include but are not limited to: cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral solution, lotions, sublingual solution, cannabis edible products and other cannabis products.

Inventory Management

Lineage applies strict and comprehensive inventory management procedures in the Terpene Station Dispensaries, which are compliant with the rules set forth by the OLCC and all other applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict control over Lineage's cannabis and cannabis product inventory from delivery by licensed entities to sale or disposal. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products dispensed at Lineage's retail locations.

Employees and Consultants

As of December 31, 2018, Lineage had 19 employees and consultants. The employees and consultants are distributed among the following departments:

Department	Number of Employees/Consultants
Retail	18
Executive Operations	1
Total	19

Pipeline Acquisitions

Lineage has entered into agreements to acquire two U.S. based licensed operators in California: LUX and Agris Farms. There is no assurance that the LUX Acquisition or the Agris Farm Acquisition will be completed on the proposed terms or at all. Please see Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions* in this Listing Statement for further details.

Further Disclosure

Other aspects of Lineage's operations, including facilities, security, training and competition, are included in the Resulting Issuer's disclosure in Item 4 – *Narrative Description of the Business – Business of the Resulting Issuer* below.

Business of FLRish

FLRish commenced operations on November 2015. Headquartered in Oakland, California, FLRish, through its wholly owned subsidiaries, offers labor, procurement, advisory, retail, administrative, and other services to licensed dispensaries in the State of California. Such services include the following:

- **Branding:** licensing the Harborside and Harborside Farms brands, immediately differentiating the retail operations and providing it with a competitive edge in the retail cannabis marketplace.
- **Retail expertise, training and standard operating procedures**: Providing retail expertise, including but not limited to: store layout and floor design; point of sale selection; product selection and curation; staff training and education; all required retail standard operating procedures; training regarding customer on-boarding, including forms, counseling and concierge services; advice regarding state-of-the-art security compliance and systems; equipment selection; ongoing advice regarding the management of daily general business operations.
- **Finance:** monthly sales reports (product sold, customers served, net sales) and quarterly / year-end financial reports (income statement (budget to actual), balance sheet and cash flows), along with routine financial advice (e.g., income and payroll tax compliance and management).
- **Human Resources**: hiring of dispensary managers; onboarding staff, security and retail tenders.
- **Supply Chain Management and Inventory Acquisition:** Selecting and curating product and manage inventory acquisition and control sufficient to ensure the dispensary has product to meet the demands of the market.
- **Legal, Compliance, Government Affairs and Lobbying:** ongoing support for all managed dispensary operations, including human resources, regulatory compliance, pre-claim dispute resolution, landlord-tenant relations, negotiations with vendors, local and state government lobbying, and tax reduction strategies.
- **Marketing:** advertising & marketing support; set up loyalty program; assist with vendor selection; copy writing; editing; routine content marketing.

FLRish only provides such services to those who are properly licensed and in good standing with state and local law. FLRish's work is typically performed under master services agreements. The length of FLRish's contracts varies and are typically entered into for multiple years.

FLRish is the exclusive owner of the Harborside brand and operator of the Harborside Oakland and Harborside San Jose dispensaries, controlling +10% of the Northern California market. Harborside Oakland is vertically integrated with a cultivation facility located in the agricultural center of California and branded products it sells through wholesale channels. FLRish utilizes a franchise-like dispensary model to navigate the US regulatory landscape and secure high margin management services revenue, shelf space for wholesale / branded products revenue, and ownership options to consolidate California retail operations.

For more information see "*Business of Resulting Issuer*" below.

Operating Divisions

FLRish's current business consists of two operating divisions:

- *Wholesale* – FLRish provides management services to Harborside Oakland to cultivate, manufacture, sell and distribute packaged cannabis products from the Salinas Farm.

- *Retail* – FLRish provides management services to cannabis retail dispensaries to optimize marketing, operations, sourcing and supply chain management, compliance, human resources, finance and IT. FLRish also enables its dispensary clients to gain leverage from being vertically integrated, and control the production supply chain, from seed to sale.

FLRish leverages the Harborside brand, which it owns, in both retail and products with its management services customers.

Wholesale Division

FLRish's wholesale division is provided by SaVaca, an indirect wholly-owned subsidiary of FLRish. SaVaca provides infrastructure, security, financial and management services to Harborside Oakland to enable Harborside Oakland to cultivate cannabis at the cultivation campus on the Salinas Farm in Salinas, California under the Farm MSA dated September 15, 2016.

Neither SaVaca nor its subsidiaries employ any staff responsible for 'touching the plant' or participating in any part of the cannabis cultivation, processing, or sales process. SaVaca's tenant farmer, Harborside Oakland, maintains the necessary licenses to cultivate cannabis and employs all staff at the facility that are involved in propagating, cultivating, harvesting, processing, and selling the cannabis produced at the facility.

Harborside Oakland as the tenant farmer maintains ownership of all cannabis produced on the Salinas Farm throughout its lifecycle from seed to sale and transports product to its own retail dispensary in Oakland, and to Harborside San Jose in San Jose and to other compliant retailers and product manufacturers.

Major Terms of the Farm MSA

On September 15, 2016, FLRish, through its indirect subsidiary SaVaca, entered into the Farm MSA with Harborside Oakland as the tenant farmer. FLRish owned 68.5% of Savature at the time the Farm MSA was executed. SaVaca is wholly owned by Savature, a direct subsidiary of FLRish.

Under the Farm MSA, Harborside Oakland engages SaVaca as the exclusive manager for management of all farming, cultivation, processing, and manufacturing of cannabis at Harborside Oakland's cultivation facility on the Salinas Farm in Salinas, California. SaVaca's duties include supervision of day to day activities and the development and implementation of cultivation methodologies, cultivation control and plant tracking procedures, organic and pest control application, genetics acquisition, quality assurance, irrigation, quality control and testing procedures, inventory control and tracking, farm labor and all other agricultural business activities. Management of day-to-day general business operations include: ensuring that Harborside Oakland complies with local and state law in the operation of the Salinas Farm; handling the acquisition of all necessary equipment and supplies for the Salinas Farm; supervising Harborside Oakland's employees or independent contractors working or engaging in services at the Salinas Farm; providing industry specific strategic business advice; bookkeeping, financial management & monthly reporting; security and safety systems management; advertising, marketing and/or wholesaling management; product quality control, governmental & regulatory compliance; and other management of matters normal to or incidental to the operation.

Under the Farm MSA, Harborside Oakland is required to reimburse SaVaca for all Permitted Expenditures (as defined in the Farm MSA). Permitted Expenditures are determined by an annual budget.

The term of the Farm MSA is for a period of six-years and automatically renews for an additional five-year term unless SaVaca and Harborside Oakland mutually agree not to extend the term.

Wholesale Service Revenue Model Overview:

SaVaca is paid under the Farm MSA at cost (based on Permitted Expenditures) plus 20% of such cost, plus an additional percentage of the value of cannabis products produced at the Salinas Farm and put into commerce, in each case as determined under the Farm MSA. FLRish revenue from the Farm MSA is further set out as follows:

A. SaVaca provides working capital through the Farm MSA to Harborside Oakland as tenant farmer to operate the property. These funds, if Permitted Expenditures, would be reimbursed costs accrued as SaVaca's accounts receivable, and Harborside Oakland as tenant farmer pays down the balance over time.

B. SaVaca collects rent, administrative fees, and management service fees from Harborside Oakland as tenant farmer.

    1. The rent is determined based upon a contracted rental rate per square foot and the area of the property that is available to support cannabis cultivation and production.

    2. An administrative fee equal to 20% of the reimbursable costs is accrued each month.

    3. A management services agreement fee is calculated based upon the product achieving certain quality standards and the market's sale price of the product. The management services agreement is structured to fluctuate depending on the market demand for the product.

<u>Retail Division</u>

FLRish's retail division manages dispensaries including the iconic Harborside Dispensaries of the San Francisco Bay Area (Harborside Oakland and Harborside San Jose), which have twelve years of operating success, over C$400 million of historic sales, and in excess of 270,000 patients and customers served. Harborside Oakland's dispensary is one of the oldest, most respected, and largest retail cannabis locations in the world, having received one of the first six commercial cannabis licenses issued in the United States

As discussed above in item 3.2 *Significant Acquisitions and Dispositions – FLRish – Harborside Oakland and Harborside San Jose Merger Options*, unless there is a material adverse change, excluding liability arising from the Tax Cases, in Harborside Oakland or Harborside San Jose, FLRish will exercise the Merger Options immediately after the closing of the Transaction, in which case Harborside Oakland and Harborside San Jose would be wholly owned subsidiaries of the Resulting Issuer.

FLRish's retail division is based on retail management service agreements, and the following is a summary of the major terms of these agreements.

Harborside Oakland and Harborside San Jose MSAs

On September 22, 2017, FLRish, through its fully owned subsidiary FLRish Retail, entered into exclusive MSAs with each of Harborside Oakland and Harborside San Jose. These MSAs provide that FLRish will manage the day-to-day general retail business operations at the dispensaries owned by Harborside Oakland and Harborside San Jose, including but not limited to:

- advising both Harborside Oakland and Harborside San Jose on compliance with local and state law;

- assisting Harborside Oakland and Harborside San Jose on the handling the acquisition of all necessary equipment and supplies;
- supervising Harborside Oakland and Harborside San Jose's employees and independent contractors;
- ensuring all income and payroll tax withholding and reporting are properly maintained;
- providing industry specific strategic business advice;
- bookkeeping, financial management & monthly reporting;
- security and safety systems management;
- advertising & marketing management;
- product development & quality control;
- inventory acquisition; and
- management of other matters normal to or incidental to Harborside Oakland and Harborside San Jose's general retail operations.

Under these MSAs, FLRish Retail has a duty to create and present an annual budget to the board of directors of Harborside Oakland and Harborside San Jose, respectively. Other activities requiring Harborside Oakland and Harborside San Jose Board approval includes the hiring and firing employees, including senior management. All operating and capital expenditures are the sole responsibility of Harborside Oakland and Harborside San Jose and any budgeted expenditures incurred by FLRish on behalf of Harborside Oakland or Harborside San Jose is fully reimbursable.

The contract term is for a period of five years, with two subsequent five-year automatic renewals, unless, on or before the date of such automatic renewal, Harborside Oakland or Harborside San Jose, as applicable, or FLRish determines otherwise. Harborside Oakland and Harborside San Jose do not have the ability to unilaterally terminate either MSA with FLRish Retail without cause.

Two sources of revenue are received from retail management services contracts. The first is a direct pass through of expenses incurred on behalf of the managed entity, for example, the direct cost of marketing or marketing campaign materials, or the pro rata cost of software. The other is a fee based on the net revenue of the managed entity. The net revenue excludes taxes based on gross revenue, a common mechanism for local and state governments to tax cannabis businesses. The fee on net revenue ranges from 7.5% to 15% with the lower fee being applied to higher revenue producing enterprises, calculated by the following rate schedule under these two MSAs:

Gross Monthly Net Revenues	**Rate**
Less than $150,000	7.5%
$150,000 - $200,000	10%
$200,000 - $250,000	12.5%
More than $250,000	15%

Desert Hot Springs MSA

On April 19, 2018, FLRish entered into a retail MSA with TVGA pursuant to which FLRish agreed to manage Harborside Desert Hot Springs, a retail dispensary owned by TVGA located at 66205 Paul Road, Desert Hot Springs, California. On December 12, 2018, the MSA was assigned by TVGA to Accucanna by way of written amendment. The term of the MSA is five years with two automatic five year renewals for a total of 15 years.

Under the terms of the MSA, FLRish will provide design and initial start-up information, recommendations for key staff positions, and other services related to the operations of the store including financial management, staff training, advertising and marketing, and supply chain management. For these services, FLRish will receive a management fee equivalent to 15% of the annual gross revenue of the dispensary for annual revenues at or under $2.4 million, which fee will decrease commensurate with increases in annual revenue over time, eventually reaching a fee of 5% of annual gross revenue on annual revenues at or above $12.3 million.

Accucanna has secured a conditional use permit and building permit from the City of Desert Hot Springs and has been in active construction for several months. The projected open date for the Desert Hot Springs dispensary is the second quarter of 2019. This dispensary location is unique in California because of its proximity to the I-10 freeway and that it has a permit from the City of Desert Hot Springs for a cannabis drive through.

Harborside San Leandro

FLRish and Grace Executive Services, LLC d/b/a Dark Heart Nursery a premier indoor clone cultivator, together established Harborside San Leandro to launch a cannabis dispensary in San Leandro and have successfully secured all necessary entitlements. Retail JV owns 50% of the stock of Harborside San Leandro. In addition to strong ties with the City of San Leandro, Harborside San Leandro's entitlements and capabilities include an operating license, conditional use permit, fully permitted construction plans, a favorable facility lease, and construction and retail management services.

As of the date of this Listing Statement, the project is under construction, is expected to open in the second quarter of 2019 and is expected to be managed pursuant to the San Leandro MSA.

<u>Employees</u>

As of the date of this Listing Statement, FLRish has a total of 36 employees, distributed among the following departments:

Retail:	5
Cultivation:	1
Operations:	4
Finance & Accounting:	7
Human Resources:	5
Marketing:	1
Information Technology & Analytics:	2
Administration:	1
Compliance:	4
Executive Operations:	3
Legal:	3
Total:	**36**

<u>Licenses</u>

FLRish does not hold any licenses directly. Rather, its managed entities hold all appropriate and required licenses directly and/or through their subsidiaries.

<u>Customers</u>

FLRish currently has four clients: Harborside Oakland, Harborside San Jose, Accucanna and Harborside San Leandro.

Business of the Resulting Issuer

On completion of the Transaction, Lineage will become the resulting issuer and will change its name to "Harborside Inc." (the "**Resulting Issuer**" or "**Harborside**"). Harborside will be a vertically-integrated, fully-licensed, California-centric cannabis company. Harborside will integrate and carry on the businesses of FLRish and Lineage. The Resulting Issuer, through its subsidiaries, will be directly involved in the production, cultivation, distribution and sale of marijuana in the States of California and Oregon

Harborside's business will have three segments: (i) retail dispensaries, (ii) cultivation, manufacturing, production, and wholesale sales, and (iii) management advisory and administrative services, as follows:

1. Regarding dispensaries, Harborside will:

    a. control, and if the Merger Options are exercised own, two dispensaries in California (Harborside Oakland and Harborside San Jose);
    b. own two dispensaries in Oregon (the Terpene Station Dispensaries); and
    c. manage two other dispensaries in California (Harborside San Leandro and Harborside Desert Hot Springs).

    Harborside's dispensaries include the iconic Harborside Dispensaries of the Bay Area (Harborside Oakland and Harborside San Jose), with twelve years of operating success, over C$400 million of historic sales, and in excess of 270,000 patients and customers served. Harborside Oakland's store is one of the oldest, most respected, and largest retail cannabis locations in the world, having received one of the first six commercial cannabis licenses issued in the United States.

    Upon, and subject to, the successful completion of the LUX Acquisition and the Airfield Acquisition, the Resulting Issuer will own an additional two dispensaries.

2. Harborside will operate a cultivation facility at the Salinas Farm in Salinas, in Monterey County, California. The facility at Salinas Farm is approximately 3 acres in size, enabling the Resulting Issuer to produce a diverse array of cannabis products offered at varying price points, meeting the ever diverse and changing buying habits of customers and other dispensaries, manufacturers and distributors. Upon, and subject to, the successful completion of the Agris Farms Acquisition, the Resulting Issuer will own a second cultivation facility in Yolo County, California.

3. Harborside will provide management advisory and administrative services to licensed cannabis businesses throughout California, enabling Harborside to generate high margin revenue streams, control shelf-space, increase brand recognition, and further integrate its supply and distribution chains.

The chart below summarizes all operating entities owned, controlled and/or managed by the Resulting Issuer on closing of the Transaction, together with those for which there is an agreement to purchase:

Operation	Operation Type	Owned by Resulting Issuer	Controlled by Resulting Issuer	Managed by Resulting Issuer	Resulting Issuer Has Options to Purchase
Harborside Oakland, CA	Dispensary	No	Yes	Yes	Yes(1)
Harborside San Jose, CA	Dispensary	No	Yes	Yes	Yes(1)
Terpene Station, Portland, OR	Dispensary	Yes	Yes	Yes	Not applicable
Terpene Station, Eugene, OR	Dispensary	Yes	Yes	Yes	Not applicable
Salinas Farm – Salinas, CA	Cultivation & Production Campus	No	Yes	Yes	Yes(2)

Operation	Operation Type	Owned by Resulting Issuer	Controlled by Resulting Issuer	Managed by Resulting Issuer	Resulting Issuer Has Options to Purchase
Harborside San Leandro, CA	Dispensary	50%	No	Yes	No
Harborside Desert Hot Springs, CA	Dispensary	No	No	Yes	Right to purchase 10% of outstanding equity in exchange for $400,000 of wholesale inventory.
Airfield – San Jose, CA[(3)]	Dispensary	No	No	No	Agreement to Purchase
LUX – San Jose, CA[(4)]	Dispensary	No	No	No	Agreement to Purchase
Agris Farms – Woodland, CA[(4)]	Cultivation & Production Campus	No	No	No	Agreement to Purchase

Notes:

(1) Pursuant to the Merger Options. See Item 3.1 – *General Development of the Business – FLRish.*
(2) Pursuant to a purchase option. See Item 3.1 – *General Development of the Business – FLRish.*
(3) Proposed acquisition of FLRish. See Item 3.1 – *General Development of the Business – FLRish – Pipeline Transactions*.
(4) Proposed acquisitions of Lineage. See Item 3.1 – *General Development of the Business – Lineage – Pipeline Transactions*.

Business Objectives of the Resulting Issuer

Goal

Harborside's goal is to maintain and build its position as one of California's top three vertically-integrated cannabis companies.

Strategies

The business objectives that Harborside expects to accomplish in the forthcoming 12-month period are as follows:

- consolidate and expand Harborside's California retail footprint in the Bay Area;
- scale and improve Harborside's cannabis production/manufacturing capabilities;
- expand Harborside's wholesale and business-to-business sales of its cannabis products; and
- evaluate the launching of new branded products.

In addition to the above objectives, if Harborside completes the Maximum Offering (as defined below), Harborside expects to complete the Airfield acquisition, consistent with its strategies of expanding its California retail footprint, improving and scaling cultivation capacity, and expanding its branded product line portfolio.

Assumptions and Expectations

Harborside's strategies are founded on its core market assumptions and expectations, which are:

- led by U.S. states, legalization will continue to contribute to the industry's growth momentum, and California will represent the largest state market;
- adult-use and medical cannabis consumption will increase as branded and manufactured products become increasingly popular and cannabis use becomes more widely acceptable and prevalent;

- the cultivation and retail sectors will commoditize; trusted brands and diversified manufactured products offering value to a range of consumer demographics will win the market; and

- California will provide an efficient base to service an interstate commerce market if and when it opens up.

Given the growth trajectory of the California cannabis market in comparison to other U.S. state markets and internationally, it is expected that the Resulting Issuer will strategically focus on a California-centric business model to consolidate and increase its market share in California, with an initial focus on the Bay Area where Harborside Dispensaries have already earned considerable market share.

While it is expected that the Resulting Issuer will have invested significantly to scale its production operations, management also recognizes and believes that unbranded cannabis flower sales price will be impacted significantly by commoditization as production scales in California.[33] As such, scale alone is not sufficient to mitigate this risk, and developing trusted branded products will be necessary to retain customer loyalty, grow market share, and protect operating margins as the price of unbranded flower decreases.[34]

For this reason, the Resulting Issuer will be considering investment opportunities to enhance its branded product offerings. The strategy will likely focus on the wellness aspects of the products and also target cost-conscious market demographics by emphasizing value.

In addition, it is also recognized that that consumer purchasing habits are trending in favor of manufactured products over flower and expected that this trend will continue as new product categories are created and existing manufactured products are improved. In addition, it is understood that establishing trusted, branded products mitigates risk of price compression and branded product sales are forecast to gain considerable market share over unbranded products. Given this trend of increasing demand for manufactured and branded products,[35] it is expected that the Resulting Issuer will prioritize development of its manufactured products under its own brands.

Overall Market Outlook

It is expected that the Resulting Issuer will remain a significant acquirer in the cannabis industry across all sectors of the industry (including retail, manufacturing, and cultivation), and will actively seek both small and large acquisition and investment opportunities across the cannabis supply chain.

As the cannabis industry matures, it is anticipated that:

- manufactured cannabis consumer products will continue to evolve;

[33] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018 citing "If Colorado and Oregon can be used as guides, wholesale prices of flower and trim largely collapsed after the states ramped up licenses to address shortages that occurred early in the rollout of their recreational use programs… Year to date, the US wholesale spot price for flower is down 26% to $1,503 in the week ending August 24th. In terms of cultivation licenses per population, Colorado, Oregon and Washington are the densest states with an average of 5,600 people per cultivation followed by California, Nevada and New Mexico with an average of 19,000 people per cultivation license."

[34] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018 citing "Expanding into processing, manufacturing, and retail can offset some of the negative effects of pricing pressure at the cultivation phase… In recreational markets, wholesale cultivators are shifting their product mix to include higher margin oils and other processed products to support overall profitability.

[35] Canaccord Genuity, US Cannabis Industry Primed for Growth, September 4, 2018 cited "According to GreenEdge, concentrate sales in 2017 for the combined California, Colorado, Oregon, and Washington markets were heavily weighted to vape (54%), followed by wax (12%), shatter (10%), live resin (6%) and oils (5%)."

- consumers have already proven demand for vaporizer pens and purchasing habits will continue to trend in favor of branded manufactured products over flower;

- as cultivators scale production, unbranded cannabis flower will experience commoditization, and prices for unbranded flower will decrease;

- producers of unbranded cannabis products that lack vertically-integrated retail or wholesale channels will struggle with margin compression; and

- industry consolidation may occur as smaller, horizontal operators are unable to compete on price against vertically-integrated operators or are absorbed by larger vertically-integrated companies, multi-state operators, or new market entrants such as the pharmaceutical, alcohol, and tobacco industries.

Combining significant California retail market share, cost-efficient cultivation, and branded manufactured product lines, Harborside's vertically-integrated model is well-positioned to gain additional west coast market share and to achieve and maintain sustainable profitability.

Significant Events or Milestones

The significant events or milestones that must occur for the business objectives set forth above to be accomplished are set out below:

1. **Exercise of Merger Options:** The Resulting Issuer intends to exercise the Merger Options within 12 months of completion of the Transaction. The cost associated with exercising the Merger Options is USD$600,000. See “Total Funds Available” below.

2. **Retail Expansion:** The Resulting Issuer intends to open two new retail locations managed pursuant to Retail MSAs (one in San Leandro and the other in Desert Hot Springs) within 12 months of completion of the Transaction. The cost associated with the Resulting Issuer’s retail expansion efforts is USD$1,998,767. See “Total Funds Available” below.

3. **Cultivation Facility Expansion:** The Resulting Issuer intends to complete key capital expenditures at its cultivation and production facility in Salinas, California within 12 months of completion of the Transaction, which is expected to include the completion of a new, Dutch “venlo” style greenhouse, five post-harvest cannabis drying and curing chambers, power upgrades, water upgrades, and the automation of post-harvest production capabilities. The cost associated with the Resulting Issuer’s cultivation facility expansion efforts is USD$6,345,987. See “Total Funds Available” below.

The business plan growth items outlined above presume timely approval from respective state, county and municipal regulatory bodies including for cultivation facility expansion, and retail location openings, as well as marketing of the Resulting Issuer's retail locations.

Total Funds Available

The total funds expected to be available to the Resulting Issuer for the 12-month period following the Transaction, respectively, and the Resulting Issuer's intended uses of such funds for such 12-month period with respect to the significant events and milestones set forth above, are set forth below:

Forecast 12 Month Budget USD	Assuming Completion of Minimum Concurrent Offering	Assuming Completion of Maximum Concurrent Offering	Assuming Completion of Maximum Concurrent Offering (with Over-Allotment)
Expected Available Funds			
Net Working Capital[(1)]	$12,077,285	$12,077,285	$12,077,285
Concurrent Offering	$7,518,797	$52,631,579	$60,526,316
Concurrent Offering Fees[(2)]	$526,316	$3,684,211	$4,236,842
Net Proceeds from Concurrent Offering[(3)]	$6,992,481	$48,947,368	$56,289,474
Total Available Funds	**$19,069,766**	**$61,024,654**	**$68,366,759**
12-Month Commitments			
Merger Option Cash Payments	$600,000	$600,000	$600,000
Salinas Farm Capex	$6,345,987	$6,345,987	$6,345,987
Harborside San Leandro and Harborside Desert Hot Springs Capex	$1,998,767	$1,998,767	$1,998,767
Accrued Interest on FLRish Convertible Debentures[(4)]	$1,352,673	$1,352,673	$1,352,673
Bridge Loan Repayment[(5)]	$1,120,000	$1,120,000	$1,220,000
Total 12-Month Commitments	**$11,417,427**	**$11,417,427**	**$11,517,427**
Excess Funds Available to Resulting Issuer	$7,652,339	$49,607,227	$56,849,332

Notes:

(1) As at March 31, 2018.
(2) Fees equal to 7% of total amount raised in the Concurrent Offering.
(3) Difference between total Concurrent Offering amount and transaction fees described in note (2) above.
(4) Accrued interest for the three month period commencing December 1, 2018 through March 31, 2019 is based on a total of CAD$34,778,000 of FLRish Convertible Debentures issued and outstanding as of December 1, 2018. The principal amount of each FLRish Convertible Debenture is convertible into FLRish Underlying Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the October 31, 2021, being the Maturity Date, and automatically upon completion of a Going Public Transaction, subject to certain conditions. See Item 3.1 – *Description of the Business – CD Unit Offering*.
(5) Assumes a Transaction closing date of May 17, 2019 and an exchange rate of USD to CAD of 1.33.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. It is anticipated that the available funds to the Resulting Issuer, combined with anticipated cash flows from its operations, will be sufficient to satisfy the achievement of the significant events and milestones as are set forth above during the 12 month period following completion of the Transaction. However, the amounts shown in the table above are estimates only and are based on the information available to the Resulting Issuer as of the date of this Listing Statement.

Given the fact that the legal cannabis industry is emerging, it is difficult at this time to definitively project revenue or the commensurate funds required to complete the planned undertakings of the Resulting Issuer. For these and other reasons, management considers it to be in the best interests of the Resulting Issuer to permit management a reasonable degree of flexibility as to how the Issuer's funds are deployed among the above uses and/or to pursue other business objectives including, without limitation, the acquisition of other dispensaries and/or product lines and/or brands, the building out and expansion of the Resulting Issuer's internal manufacturing capacity, the buildout and expansion of the Resulting Issuer's existing product lines and brands, and the launch of new brands and branded product lines. The Resulting Issuer may require additional funds in order to pursue and fulfill such other business objectives, and may seek to issue additional securities or incur debt in order to do so. There can be no assurance that additional funding required by the Resulting Issuer in order to pursue such additional objectives will be available, if required.

Ability to Access Public and Private Capital

Due to the present state of the laws and regulations governing financial institutions in the United States, banks often refuse to provide banking services to businesses involved in the marijuana industry. Consequently, FLRish and Lineage are not, and the Resulting Issuer will not be, able to obtain bank financing in the United States or financing from other United States federally regulated entities.

Each of FLRish and Lineage has historically, and the Resulting Issuer is expected to have, access to equity and debt financing from prospectus exempt (private placement) markets in the United States and Canada. The executive team and board of each of FLRish and Lineage have, and the management of the Resulting Issuer will have, relationships with sources of private capital (such as funds and high net worth individuals). However, there can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. See Item 17 – *Risk Factors – Restricted access to banking* and Item 17 – *Risk Factors – Newly established legal regime.*

Competitive Conditions and Competitive Position

<u>Competitive Conditions</u>

California regulations do not limit the number of licenses available to the industry, and as of January 31, 2019 over 10,600 cannabis licenses had been awarded to cultivators, manufacturers, laboratory testing facilities, distributors, retailers, and other licensees.

As of January 31, 2019 the following cannabis licenses were active in California:

License Category	# of Active Licenses in California
Cultivation (1)	6595
Manufacturing (2)	1255
Retailer (3)	637
Retailer Nonstorefront	318
Distributor (3)	1224
Distributor-Transport Only	183
Microbusiness (3)	294
Testing (3)	54
Event Organizer (3)	101
Total	**10,661**

Notes:
(1) Source: CalCannabis Cultivation Licensing - License Holder Search (https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses) as of January 31, 2019
(2) Source: Manufactured Cannabis Safety Branch - License Holder Search (https://www.cdph.ca.gov/Programs/CEH/DFDCS/MCSB/Pages/LicenseeLookup.aspx) as of January 31, 2019
(3) Source: Bureau of Cannabis Control - License Holder Search (https://bcc.ca.gov/clear/license_search.html) as of January 16, 2019

With respect to retail operations, FLRish expects to compete with other retail license holders across California. Many of FLRish's competitors in the markets in which FLRish operates in are small local operators. In addition to physical dispensaries, FLRish also expects to compete with third-party delivery services, which provide direct-to-consumer delivery services in California.

In terms of cultivation and production, FLRish expects to compete with other licensed cultivators and operators in the states in which it operates. Similar to retail, there are a number of illegally operating cultivators in California which will serve as competition in the near-term.

In Oregon, there are a large number of licensed cannabis retailers, however, by providing consumers with a safe, consistent, and high-quality supply of cannabis through an inclusive and informative retail experience, the Resulting Issuer is expected to compete effectively in the Oregon market.

See Item 17 – *Risk Factors – Competition.*

Competitive Position

The Resulting Issuer will have several competitive advantages over other producers and retailers of similar products in California, as set out below. See also Item 17 – *Risk Factors – Competition.*

Retail Expertise & Track Record

Harborside will be a leading North American cannabis company with unparalleled experience and knowledge of the California market, having been in business for over a decade with a strong customer following. With twelve years of operating success, over C$400 million of historic sales, and in excess of 270,000 customers served, Harborside is expected to continue to have significant insight into consumer values, preferences, and purchasing habits resulting in deep understanding of the retail market, and has extensive operational history demonstrating its strong results.

Harborside Oakland and Harborside San Jose founders, DeAngelo and Wedding, are widely recognized as industry pioneers, incorporating the plant's healing effects as part of overall wellness, and by offering holistic services as part of the experience. DeAngelo is a well-known cannabis advocate, activist and author. DeAngelo also co-founded The Arcview Group (a prominent industry network of accredited investors), and Steep Hill Labs. DeAngelo has nearly four decades of service in supporting cannabis reform and access to safe medicine. DeAngelo's vision and leadership is legendary in the cannabis community and has garnered praise from regulators, law enforcement, consumers and employees. See Item 17 – *Risk Factors – Competition.*

Brands to Drive Margin

The Harborside brand is well known throughout California, the United States and internationally, and serves as a platform for additional brand offerings which have been developed and successfully released. Branded products represent high margin sales and drive brand awareness. Since opening, Harborside has been recognized with numerous awards and honors, and earned a worldwide reputation as setting the "gold standard" for cannabis dispensary operations, including: regulatory compliance, product safety, industry expertise, customer service, site security, employment opportunities, training and education, community relations, and thought leadership.[36] As Oakland, California former Mayor Jean Quan observed, "the entire community of Oakland…sees the positive impact of Harborside Oakland's operations….Harborside Oakland enthusiastically participates in a number of community events and initiatives…demonstrating the dispensary's commitment to enhancing the community it calls home." The San Francisco Chronicle also recently named Harborside Oakland's dispensary the "Best Dispensary" in California, noting its "massive selection of quality, tested cannabis with excellent customer service in its beautiful flagship Oakland location." See Item 17 – *Risk Factors – Competition.*

[36] Harborside was the first dispensary to offer product that was independently tested for contaminants. In fact, DeAngelo founded Steep Hill Labs to test cannabis because no other lab would test a product that was classified as a Schedule I drug under US federal law.

Vertically Integrated at Scale

The Resulting Issuer will have a robust upstream supply channel, with 162K sq. ft. of canopy currently operational at the Salinas Farm, expected to expand by another 160K sq. ft. to a total of approximately 320K sq. ft. of automated, best-in-class Venlo canopy over the next two years. The Resulting Issuer's vertically integrated business model will allow it not only to maximize sales margins but also to capitalize on a range of available data, enabling the Resulting Issuer to make smart production, distribution and retail choices in line with changing buying trends in the dynamic California cannabis market. The Resulting Issuer will control +10% of the Northern California market (~4.5% of California's 2018 total addressable market), and will be one of the largest operators in California, utilizing 34 licenses across the value chain.

Harborside currently works with third parties to contract manufacture branded cannabis extract products, and expects to continue working with third parties to introduce branded cartridges and baked edibles in 2019. Harborside is also evaluating manufacturing cartridges and other cannabis concentrate products in house during 2019. See Item 17 – *Risk Factors – Competition.*

Retail Expansion with Ownership Options

The Resulting Issuer will be expanding its Northern California market leadership throughout California, with a franchise-like retail model to secure ownership options and increase brand awareness, while leveraging vertical integration to create new wholesale revenue channels. Harborside's retail management MSAs will provide capital-efficient capture of retail shelf space for branded products, and ownership options provide opportunity to consolidate the retail market. Harborside's product offering is well positioned to address the increasing demand for turnkey retail driven by the rapidly evolving regulatory landscape. See Item 17 – *Risk Factors – Competition.*

Range of Price Points for Products

The Resulting Issuer's capacity to produce cannabis at a range of price points provides the Resulting Issuer with a significant competitive advantage over others in the marketplace, particularly as a result of its integrated supply chain and access to valuable data demonstrating customer and business purchasing behavior. It also enables the Resulting Issuer to drive sales through a number of different channels. For example, lower priced product is frequently sold to manufacturers and extractors, middle-market product is sold to both manufacturers and consumers, and more expensive, higher-quality product is sold to consumers at the Resulting Issuer's dispensaries, other dispensaries, or through distributors.

The Resulting Issuer's ability to cultivate flower for sale at various price points will allow it to maintain and gain market share, particularly in a dynamic market with changing business-to-business and business-to-consumer buying habits and preferences. This is especially true as manufactured cannabis products become more popular, requiring cheaper raw material input and offsetting demand for higher-quality, more expensive finished flower. See Item 17 – *Risk Factors – Competition.*

Management Team

The Resulting Issuer will be led by a highly experienced and versatile management team. Members of the management team will include the following:

Andrew Berman, Director, President and Chief Executive Officer – 59: Andrew Berman is a versatile executive with a unique background and skill set. Mr. Berman has a B.A. from the University of Michigan and a J.D. from the University of Miami School of Law. He clerked for two federal judges and practiced law for eleven years in San Francisco before joining the Business Affairs group at America Online. After AOL, Mr. Berman became CEO of AirLink Communications, Inc., an early-stage wireless data company located in Hayward, California whose success culminated with a merger into Sierra Wireless, Inc. Mr. Berman stayed aboard as the publicly traded company's Senior Vice President & General Manager in charge of its AirLink business unit. Berman then joined Cricket Media, Inc., a public company in the education media sector, as Chief of Staff to the CEO. Most recently, Mr. Berman was an Entrepreneur in Residence at ZG Ventures, LLC, a prominent venture capital firm based in Washington, DC.Mr. Berman also has extensive experience in local government relations and community building, having served on the Mill Valley City Council and as Mayor and Vice Mayor of Mill Valley. His public service also includes serving as Chair of the Marin County Telecommunications Agency, on local Planning Commissions and on County Emergency Medical Boards, through which he developed expertise in land-use and public safety issues at the local level.

Keith Li, Chief Financial Officer – 39: Keith Li is a finance professional with over ten years of corporate accounting and audit experience. He specializes in providing management advisory services, accounting and regulatory compliance services to companies in a number of industries. Mr. Li began his career in the public accounting sector as an auditor at UHY McGovern Hurley LLP. Prior to joining Lineage, Mr. Li held senior level positions for several publicly-held and private companies. Mr. Li is a Chartered Professional Accountant (CPA, CA) and holds a Bachelor of Commerce from McGill University.

Jack Nichols, General Counsel and Corporate Secretary – 55: Jack Nichols has more than 20 years of exceptional experience in law enforcement, civil and criminal litigation, international business development and legal compliance. Mr. Nichols enjoyed a highly successful career in law enforcement that started as a patrolman with the NYPD. He subsequently served as a detective with the Maine Attorney General's Office where he investigated anti-trust violations and complex white-collar crimes. In 2006, Mr. Nichols obtained his JD from Northeastern University School of Law. Upon graduation, he became Assistant Attorney General in the US Virgin Islands where he was cross-designated to litigate both civil and criminal matters, with an emphasis on public corruption and violent crime prosecutions. Mr. Nichols later served as Special Assistant U.S. Attorney in the District of Maine, prosecuting firearms and narcotics violations in Federal court. Most recently, he has worked for a private company as in-house counsel, where he has assisted government agencies in the formulation and enforcement of medical marijuana regulations and has lent his expertise to private companies in the cannabis industry as they navigate the challenging world of legal compliance.

Menna Tesfatsion, Chief Operating Officer – 40: Menna Tesfatsion is the Chief Operating Officer of FLRish, overseeing and managing all operations across all business units of FLRish. Mr. Tesfatsion is also the founder, President and Chief Executive Officer of Agris Farms, and has extensive experience in all aspects of cannabis cultivation and wholesale sales and well as the development and permitting of cannabis cultivation, processing, and manufacturing facilities. Mr. Tesfatsion has also founded, launched, and operated three other successful, high-growth companies. Mr. Tesfatsion is well versed in all California cannabis rules and regulations. He also has extensive legal experience, having practiced law in two of the largest law firms in the world after graduating from New York University School of Law.

Retail Dispensaries

On closing of the Transaction, the Resulting Issuer will be considered to have “control” over the business of the Harborside Dispensaries for accounting purposes, to enable consolidation of Harborside Dispensaries' financial statements into the financial statements of the Resulting Issuer pursuant to Canadian generally accepted accounting principles. If the Merger Options are exercised, the Resulting Issuer will also acquire legal control and ownership of the Harborside Dispensaries. If the Merger Options are not exercised, the Resulting Issuer will nonetheless continue to have “control” over the Harborside Dispensaries for accounting purposes. For clarity, control for accounting purposes is distinct from the concept of legal control, which is based on equity ownership and a majority of voting rights.

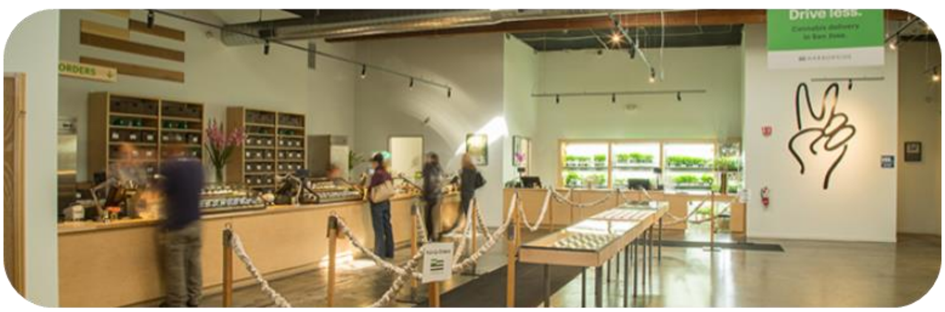
The Harborside Dispensaries have generated over C$400 million in sales since 2006, and are estimated to generate approximately C$50 million in 2018 on an annualized basis. Harborside Oakland's store in Oakland, California was founded in 2006, and is one of the oldest, well respected, and largest retail cannabis locations in the world.

Retail Store Facilities

Harborside Oakland is located at 1840 Embarcadero, Oakland, California. The location is leased by Harborside Oakland from an arm's length landlord under a lease dated January 21, 2006, which lease was amended and extended on January 22, 2016 to provide for an additional five year term and an option to renew for another five year term, and with a right of first refusal for Harborside Oakland to purchase the real property. The current lease term expires January 22, 2021.

Harborside San Jose is located at 1365 N. 10th Street, San Jose, California. The location is leased by Harborside San Jose from an arm's length landlord under a lease dated November 1, 2014, for an original ten-year term, with option to renew for two five-year terms, exercisable by Harborside San Jose at least six months prior to expiry of the term.

Oakland Location



San Jose Location

Terpene Station Portland is located at 1436 SE Powell Ave. Portland, OR 97202 Portland, Oregon. It is a 3,100 square foot dispensary store. The location is leased by LGCLORDIS1, a wholly-owned subsidiary of Lineage, from an arm's length landlord under a lease dated September 1, 2014, for an original 60-month term.

Terpene Station Eugene is located at 645 River Road, Eugene, Oregon. It is a 2,200 square foot dispensary store. The location is leased by LGCLORDIS2, a wholly-owned subsidiary of Lineage, from an arm's length landlord under a lease dated May 21, 2018 for an original 5-year term.

Terpene Station Portland, Oregon

Terpene Station Eugene, Oregon

In addition to the Harborside Dispensaries and the Terpene Station Dispensaries, on closing of the Transaction, the Resulting Issuer will:

1. Have an agreement to acquire another dispensary in San Jose, California pursuant to the LUX Acquisition. See Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions* for more information.
2. Have a binding letter of intent to acquire Airfield, which operates a retail dispensary in the City of San Jose, California. See Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions* for more information.
3. Manage additional Harborside branded dispensaries in San Leandro, California and in Desert Hot Springs, California (which are expected to open in the first half of 2019). See "Management Services" below.

Product Selection and Offerings

The Harborside Dispensaries' retail locations will offer a wide variety of the highest quality, rigorously tested, and legally compliant cannabis and cannabis products. Those products will include (but are not limited to) flower, vaporizer ("vape") pens, cannabis extracts, cannabis products in capsule and sublingual solutions, and infused edible cannabis products. These products will be produced by the Resulting Issuer or by fully licensed third party cultivators, manufacturers, distributors and vendors.

Product selection decisions at the Harborside Dispensaries will be made by the Resulting Issuer's team of highly experienced and knowledgeable purchasing staff, each of whom will have years and sometimes decades of experience evaluating cannabis products. All purchasing decisions at the Harborside Dispensaries will be driven by the goal of providing the Resulting Issuer's retail customers with the highest quality products, assuring the customer that if product is sold in a company store, it will meet rigorous product quality standards. The Resulting Issuer's purchasing staff will receive and negotiate bids from brand vendors across all product categories, and bases all purchasing decisions on product quality and strict adherence to regulatory compliance standards, including material quality and freshness; vendor reputation and history with the Harborside Dispensaries; packaging design/compliance; health, safety and quality controls including clearances of state mandated testing for pesticides, contaminants, microbials, and mycotoxins); relative margin potential and historical margin data; consumer feedback and consumer trends; and the predicted ability for the respective brands to scale.

The Harborside Dispensaries will only sell cannabis products that meet or exceed the applicable state testing requirements for standards of quality and safety – testing that will be done by the distributer before product arrives. For some testing factors, however, Harborside's internal standards will be more stringent than state standards (e.g., with respect to microbial load and biotoxins, contaminants that pose a health risk to susceptible cannabis users).

Please see Item 4.1 – *Narrative Description of the Business – Business of Lineage – Product Selection and Offerings* for product selection and offerings at the Terpene Station Dispensaries. The Resulting Issuer plans to maintain the existing product selection and offering practice at the Terpene Station Dispensaries in the near term after closing of the Transaction, but will review the operations of Terpene Station Dispensaries and may make adjustments in the future.

Product Pricing

Neither California nor Oregon regulates pricing and licensed dispensing organizations within the state on may set their own prices for cannabis and cannabis products.

The Resulting Issuer's product pricing for its retail operation will vary based on applicable market conditions, and will be influenced by a variety of factors, including current market pricing, operating costs, growth time, consumer trends, product-specific demand, and the Resulting Issuer's sales initiatives and goals (including with respect to product margin performance). Generally, the Resulting Issuer will strive to keep pricing consistent across all current store locations.

<u>Security</u>

Harborside will consider the safety and security of its guests, the community, and all who work with it to be of utmost concern. Harborside will have an experienced management team that has provided safe and secure cannabis operations in the city of Oakland for over a decade, in the City of San Jose for over five years, and in Portland and Eugene, Oregon for over two years in the recreational market. Each of FLRish and Lineage has developed and adopted safety protocols that set the standard for industry best practices, which will continue to be utilized by the Resulting Issuer. FLRish initiated several innovative programs to conduct retail operations safely and securely and improve the safety, security and atmosphere of the surrounding neighborhood, all of which will be continued by the Resulting Issuer.

As part of their commitment to safety and security, each of FLRish and Lineage has developed strong working relationships with local law enforcement and other cannabis businesses in every jurisdiction of operations. An example of this commitment was the creation of a network of cannabis industry safety professionals in the area to share security related information and best practices. The Resulting Issuer will continue to develop and maintain such relationships.

Each of FLRish and Lineage pays special attention to the following two aspects of security for their dispensary operations:

- <u>Transactional Security</u>: All inventory kept at the sales counters is stored in closed locked cases or drawers in the sales area, accessible only to authorized sales staff. All transactions are monitored by a video surveillance system. Regular cash drops into a secured vault are made to ensure a limited quantity of cash remain in the registers throughout the day, and those drops are reconciled daily.

- <u>Customer Security</u>: Security personnel patrol the premises, parking area and surrounding areas during operating hours to ensure the safety of all persons on the premises. The premises and parking areas have adequate lighting to provide safe conditions for employees and visitors entering and exiting the premises. Metal detectors scan entrants for weapons, which are strictly prohibited on site. Security personnel ensure that no suspicious activity occurs in parked vehicles on or adjacent to the property. Security personnel patrol the surrounding area and prohibit loitering or any other nuisance activity or behavior.

The Resulting Issuer will continue the security practice for all Harborside owned, controlled or managed dispensaries. The Resulting Issuer plans to continue the product security practice of Lineage for the Terpene Station Dispensaries in the near term after the closing of the Transaction, but will review operations of the Terpene Station Dispensaries and may make adjustment to such practice at the Terpene Station Dispensaries in the future.

Inventory Management

Harborside Oakland and Harborside San Jose maintain a comprehensive inventory management system, which is fully compliant with the rules set forth by the California Department of Consumer Affairs' Bureau of Cannabis Control and all other applicable state and local laws, regulations, ordinances, and other requirements. The inventory system of Harborside Oakland and Harborside San Jose has two primary goals: 1) accurate, verifiable tracking of all inventory, and 2) assembly of a daily menu of products most desired by patrons. Similarly, the Terpene Station Dispensaries maintain an inventory management system in accordance with the OLCC rules. The Resulting Issuer will continue to maintain the inventory management systems adopted by FLRish and Lineage.

Recordkeeping

The major component of the inventory system is the Treez point-of-sale software solution for the Harborside Dispensaries and for the Terpene Station Dispensaries. Treez T&T software is designed to integrate with other record keeping software, including the California and Oregon T&T system known as METRC. Treez provides point of sale software and hardware as well as internal record keeping, which results in streamlined inventory management that reduces shrinkage (spoilage, damage) and prevents diversion. As part of its compliance module, Treez automatically updates its software as local, state and federal regulations change in order to ensure that operations remain compliant. The Resulting Issuer will continue to use Treez in its recordkeeping for all of its retail dispensary operations.

Product Reception and Sales

At Harborside Oakland, Harborside San Jose and the Terpene Station Dispensaries, upon delivery, every product has a unique identification number or code ("**UID**"), which accompanies the product through all stages of the inventory system, and is printed on each retail package label and matches the shipping manifest. In addition to providing seed to sale track and trace for inventory management, UID's provide efficient product recall ability for products reported to be defective or unsafe.

Once verified for applicable compliance standards, products are entered into the Treez track and trace inventory module. The inventory module updates inventory levels upon entry of products received as well as related chain of custody transfers. When products are sold to patrons, Treez again updates the inventory count to reflect the transaction.

In accordance with state law in California, an inventory reconciliation is conducted every 14 days to reconcile actual inventory with the inventory shown in the system records. Such reconciliations are accomplished "blind" (without identifying the amount expected) and using a two-person cross-check count to obtain the most accurate count. Inventory and count teams are utilized on a rotating basis to assure that inventory reconciliations are accurate. Inventory records include the following: a description of each item sufficient to identify; accurate measurement of the quantity of the item; date and time goods were received by retailer; sell by or expiration date, if any; name and license number of licensee that delivered the cannabis goods to the retailer; name and licensee number of the distributor that provided the goods to the retailer; price that retailer paid for the goods, including any fees, charges, or other costs; any other local or state inventory record requirements. Records of the inventory reconciliations are kept for seven years.

Oregon law and the OLCC rules require all OLCC licensees to reconcile all on-premises and in-transit marijuana item inventories at the close of each business day in Oregon's Cannabis Tracking System ("**CTS**"). Inventory records include the following: all required information for seeds, usable marijuana, cannabinoid concentrates and extracts by weight; the wet weight of all harvested marijuana plants immediately after harvest; all required information for cannabinoid products by unit count but also the weight per unit of a product. Note that these recording requirements do not apply during the first 10 calendar days of licensure so long as the licensee has ordered UID tags and that said tags are in transit to the licensee. In addition to the recording requirements listed above, retailers must record: the price before tax; the amount of each item sold to consumers; and the date of each transaction in CTS for each individual transaction before the retailer opens the next business day. Any other information than that mentioned above, must be recorded and reconciled within 3 calendar days of the licensee's receipt of UID tags.

For Lineage's product reception and sales practice at the Terpene Station Dispensaries, please see Item 4.1 – *Narrative Description of the Business – Business of Lineage – Product Reception and Sales*.

The Resulting Issuer will continue the product reception and sales practice for all Harborside owned, controlled or managed dispensaries. The Resulting Issuer plans to continue the product reception and sales practice of Lineage for the Terpene Station Dispensaries in the near term after the closing of the Transaction, but will review operations of the Terpene Station Dispensaries and may make adjustment to such practice at the Terpene Station Dispensaries in the future.

<u>In-Store Staff</u>

FLRish has extensive human resource experience, having managed and operated two successful Bay Area retail locations over the past decade. To date, between the two locations FLRish has recruited, hired, and trained over 440 employees, which is more than any other cannabis organization in California, for Harborside Oakland and Harborside San Jose.

The Resulting Issuer's dispensaries are expected to be widely recognized for their highly knowledgeable and personable staff, who will be able to effectively assist all types of cannabis customers in their purchasing decisions, from highly experienced cannabis users to those are brand new to cannabis. All in-store staff will be evaluated for their knowledge of cannabis products and commitment to the cannabis industry, and will receive extensive training on how to educate customers and assist them in making appropriate product choices.

<u>Training</u>

FLRish Training

Initial and ongoing training is provided by FLRish's management and HR Department on behalf of Harborside Oakland and Harborside San Jose, leveraging operational manuals, standard operating procedures, and trainer and trainee handbooks for department and staff positions. All new hires at Harborside Dispensaries complete a proprietary training program developed by FLRish over several years. This includes instruction by senior employees and hands-on experience under supervision, all supported by detailed Employee Handbooks, Leader's Guides, Trainee Workbooks, Department Operations Manuals, Product Knowledge Guides, and specific training materials for the Sales, Consultation, Security, Purchasing, and Inventory Departments. Every staff member of the Harborside Dispensaries receives the most current information regarding California's current regulations pertaining to the cannabis industry. FLRish also offers a best-in-class continuing education program for the Harborside Dispensaries to ensure the long-term success of their team members. FLRish conducts a New Hire Orientation Program for all new hires at the Harborside Dispensaries which includes hands-on training at Harborside's Oakland facility. Topics include company culture and history, onboarding, rules and regulations, OSHA safety, product knowledge, team building, and benefits. Following the New Hire Orientation, employees at the Harborside Dispensaries take departmental training programs for each specific role within the organization, consisting of multi-day instruction and hands-on experience.

To ensure that staff knowledge remains current in the rapidly evolving cannabis industry, Harborside Dispensaries' employees receive ongoing education, including training sessions with experts, off-site conferences, online workshops, and seminars. FLRish continually reviews, revises and updates the materials in its training program to reflect changes in laws, products, and industry best practices and standards. The introduction of new topics and reinforcement of existing knowledge helps employees to continually develop their skills and expertise, enabling Harborside Dispensaries to provide a world-class experience for its patrons.

Lineage Training

Terpene Station Dispensaries' staff receive in-house new-hire training and ongoing education offered by Lineage. The goal of Terpene Station Dispensaries' training program is to give each member of the staff information and skills needed to become a successful employee. Onboarding and training is provided by Terpene Station management and HR department on behalf of both Terpene Station Dispensaries. Employee Handbooks, training manuals, new employee follow-up meetings, product training materials, and Rules and Regulations guides are used to make each employee familiar with the policies. Terpene Station Dispensaries enlist senior budtenders and supervisors for extensive on-the-floor training. As new rule updates and changes are dispensed by the OLCC, that information is conveyed to each employee by senior management until full understanding is met. Updates to the policies and procedures are also passed on to employees by senior management in the same manner. Topics include OLCC rules and regulations, company policies, product knowledge, inventory management, production operations, customer relations, ongoing promotions/incentives, employee benefits, OSHA safety, and point-of-sale operations.

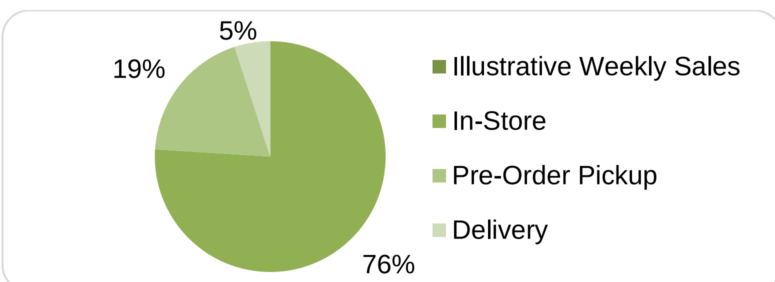
Management of Terpene Station Dispensaries attend OLCC workshops, schedule budtender training with vendors, and have staff meetings frequently to ensure that each employee is aware and confident in their ability to be an effective employee and remain fully compliant. Terpene Station Dispensaries are devoted to continually improving the content and efficiency of their training program by reviewing new information, revising materials when necessary, and seeking feedback from new hires.

Resulting Issuer Training

The Resulting Issuer will continue the staff training practice of FLRish for all Harborside Dispensaries. The Resulting Issuer plans to continue the staff training practice of Lineage for the Terpene Station Dispensaries in the near term after the closing of the Transaction, but will review operations of the Terpene Station Dispensaries and may make adjustment to the staff training practice at the Terpene Station Dispensaries in the future.

<u>Delivery and In-Store Pickup</u>

The Harborside Dispensaries' retail locations hold delivery licenses from the State of California, and offer delivery service to their customers. Currently, delivery sales contribute approximately 5% of the Harborside Dispensaries' total retail sales, while approximately 76% is from in-store purchases, and approximately 19% is from pre-ordered pick-ups.



Currently, Terpene Station Dispensaries do not offer delivery services. Lineage expects to implement its delivery license by offering delivery services in the markets it serves.

The Resulting Issuer will be evaluating investment and partnership opportunities to enhance its direct-to-consumer delivery platform.

Branding and Marketing

The Harborside Dispensaries are operated under the "Harborside" brand. See Item 4.1 – *Narrative Description of the Business – Business of the Resulting Issuer – Intellectual Property* below. The Resulting Issuer will continue its branding and marketing practices which are described below.

Marketing services include but are not limited to facility design and launch activities; advertising and media support; in-store signage, email, mobile text, OOH (billboard), display, print, and social media; creating public awareness and education campaigns; coordinating loyalty programs; managing social media; copy writing; and content marketing. Harborside creates comprehensive marketing plans for each store that includes a launch promotion and a sustained marketing program as described below.

Launch Promotion (begins 2 months prior to open date). To raise awareness of Harborside market launch, Harborside leverages existing customer insights to appeal to potential customers most likely to shop at Harborside using the following marketing channels:

- Direct, online to consumer outreach;
- Mobile advertising/Geofencing;
- Paid advertising via social media platforms and via paid social media influencers;
- Email marketing using current email list and partners' lists;
- Public awareness and education campaign (including direct mailing campaign);
- Press releases;
- Print advertising in limited select publications; and
- Earned local media.

Sustaining Promotion (post-launch): Post-launch, Harborside maintains a sustained marketing program that includes leveraging the following marketing channels, in addition to the channels mentioned above:

- Traditional retail marketing and promotions around holidays and major events; and
- Sponsorship of local community-based activities and events, including those related to civic initiatives, health and wellness, music and sports.

Collateral / In Store: Harborside expects to complement the above with in-store collateral that describes cannabis products, safe consumption practices, and related services such as our loyalty program, website, and web ordering and in-store pick up. Harborside will also sell branded merchandise, such as tee shirts and cannabis reference books.

Examples of Harborside and Key Branded Products

Example of Harborside Outdoor Marketing Collateral

Example of Harborside Outdoor Marketing Collateral

Lineage's branding and marketing practice is set out in Item 4.1 – *Narrative Description of the Business – Business of Lineage – Branding and Marketing*. In the near term after completion of the Transaction, the Resulting Issuer will continue to operate the Terpene Station Dispensaries under the "Terpene Station" brand, but the Resulting Issuer will review operations of the Terpene Station Dispensaries and may change its branding strategy for the Terpene Station Dispensaries if appropriate.

<u>Banking and Processing</u>

The Harborside Dispensaries and the Terpene Station Dispensaries deposit funds from their dispensary operations with banking partners in each of its respective markets. Harborside Dispensaries and the Terpene Station Dispensaries currently accept only cash and debit card and do not process credit card payments. It is anticipated that over time all forms of payment, including credit cards, will be accepted by each of the dispensaries.

The banks are fully aware of the nature of dispensary business of the Harborside Dispensaries and the Terpene Station Dispensaries and the Resulting Issuer expects that these banking partners will continue to remain supportive of Harborside growth plans and plans to continue these banking relationships with the current banking partners. See Item 17 – *Risk Factors – Restricted access to banking*.

Management Services

The Resulting Issuer expects to continue to provide and grow the management services business presently carried out by FLRish for Harborside Oakland as the tenant farmer under the Farm MSA, and for the Harborside Dispensaries under the Retail MSAs. Please see Item 4.1 – *Narrative Description of the Business – Business of FLRish* for more details.

The Resulting Issuer will use the same proprietary, best-practices policies and procedures outlined for the retail dispensary operations in both its owned and managed dispensaries in order to ensure systematic operations and consistent customer experience. By design, a customer or employee should notice no significant differences between owned and managed stores. The Resulting Issuer will provide these retail management services to affiliated and unaffiliated dispensaries consistent with a growing trend of cannabis licensees relying on the expertise of experienced operators in the industry,[37] and generating another high margin revenue stream to the Resulting Issuer. Under these Retail MSAs, the Resulting Issuer will typically receive a portion of top-line revenue from the dispensary in exchange for providing some or all of the following services to the dispensary operation:

- Harborside branding, where all dispensaries managed by the Resulting Issuer under the Retail MSAs will be under the Harborside brand;
- best-in-class standard operating procedures;
- training, inventory management, marketing, and in-store experience design;
- legal and compliance direction and guidance;
- government relations advice; and
- human resources, financial services, accounting and other administrative and support services.

In addition, under the Retail MSAs, the Resulting Issuer will control the dispensary's product shelf space, thereby providing to the Resulting Issuer a means of generating additional revenue from cultivated products it is able to put on these managed dispensary shelves.

Cannabis Production and Wholesale Sales

Cultivation Facilities

The Resulting Issuer's cultivation campus will be located on the Salinas Farm, at 26889 Encinal Road, Salinas, Monterey County, California. The Salinas Farm is subleased by Harborside Oakland from FFC1, a wholly-owned subsidiary of Savature, pursuant to a cultivation sublease dated September 15, 2016 which was restated on February 16, 2018 where the sub-tenant was changed from Oakland to FFC2, a wholly-owned subsidiary of Harborside Oakland.

The head lease was held by Savature as tenant and an arm's length landlord under a lease dated July 18, 2017 which was amended on October 31, 2017 to change the tenant from Savature to FFC1. The head

[37] Canaccord Genuity, *US Cannabis Industry Primed for Growth*, September 4, 2018 citing “licensees are relying more and more on outside expertise, and in certain cases, complete turnkey solutions, including outside management of their grow operations and other activities”.

lease also provides FFC1 with a right to purchase the real property from the owner from the fourth year exercisable by FFC1 during a two-month period in every six month interval of the lease, at increased purchase prices ranging from US$10.8 million in year 4 to US$18.3 million in year 13 of the lease. The owner also has a put option under the head lease to sell the property to FFC1 from the eighth year exercisable by the owner during a two-month period at each 12 month interval of the lease at the same increased prices as FFC1's option exercise prices from US$13.7 million in year 8 to US$18.3 million in year 13 of the lease.

The Salinas Farm has 47 acres of real property. The cultivation campus on the Salinas Farm has approximately 3 acres of greenhouse cultivation, with on-site processing, and distribution facilities.

Salinas Farm

Retrofitted Canopy Currently Operational

Farm greenhouse operations include:

- Rolling benches 6' x 110' with adjustable netting optimizing canopy height;
- Priva controlled automated drip system;
- Priva controlled environmental cooling, humidity and heating system;
- Automated shade and blackout curtain system;
- Positive pressure air circulation to keep dust and bugs out of the interior greenhouse;
- Automated double roof vent system optimizing wind direction;
- 500 Umols supplemental California Lightworks LED light system;
- HAF Circulating fans; and
- Louver chambers recirculating heat thru “posi” room for optimal temperatures.

New Canopy under Construction

New construction greenhouse facilities at the Salinas Farm to have the following features:

- Glass surface allows maximum sunlight into cultivation and lowers humidity inside greenhouses;
- Rolling container benches, semi-automated;
- Priva controlled automated environmental and irrigation system;
- Positive pressure air circulation & cooling system;
- Automated shade and blackout curtains;
- VACF - Vertical air circulation fans;
- Radiant floor heating system with 98% efficient boilers;
- Automated spray system customized for cannabis;
- CO2 injection system to convert exhaust into plant supplement;
- Automated conveyor belts moving plants within greenhouse;
- Custom designed automated Head House; and
- 27,000 square ft. building featuring customized automation systems for cannabis.

Greenhouse 1:
- total sq. ft. 44,000

Greenhouses 2, 4 and 5
- Combined greenhouse retrofitted with a total aggregate sq. ft. of 160,000

Greenhouse 3
- total sq. ft of 53,000

Greenhouse 1 under construction

Programmable Drying Rooms – By Darwin Chamber

The cultivation facilities at the Salinas Farm are specifically designed for healthy, efficient and pesticide-free propagation, flowering and curing of cannabis. The facilities are fully secured by professional security staff.

Cultivation Operations

The cultivation facility at the Salinas Farm began operations in 2016, and is projected to produce 36,000 pounds (approximately 16,500 kilograms) of cannabis material in 2019. This forward-looking estimate is based on the following material factors and assumptions: 1,200 pounds of cannabis produced every two weeks from existing greenhouses plus 440 pounds of cannabis to be produced every two weeks in the second half of 2019 from additional greenhouses.

Harborside has partnered with world-class cultivator Sjoerd Broeks to optimize cultivation assets at the Salinas Farm. The Resulting Issuer will continue the cultivation operation as currently carried on by Harborside Oakland.

In addition to managing the entire production process from seed to harvest and packaging, Harborside Oakland maintains its own cannabis plant nurseries to ensure consistent, clean supply of new plants as well as drying and processing facilities to facilitate appropriate curing of work-in-process inventory. The Resulting Issuer will continue the plant nurseries operation.

The cultivation operation of the Resulting Issuer is expected to be scalable, with low cost expansion plans utilizing ecofriendly co-generation and automation to drive down production costs. The Resulting Issuer's vertically integrated business model is expected to allow the Resulting Issuer is expected to not only to increase sales margins but also to capitalize on a range of available data, enabling the Resulting Issuer is expected to make smart production, distribution and retail choices in line with changing buying trends in the dynamic California cannabis market.

Product Offering

Importantly, the cultivation facilities at the Salinas Farm is not only expected to produce flower to be sold to consumers through the Resulting Issuer's owned and managed dispensaries, but is also expected to produce raw, finished, and packaged cannabis material for sale to non-affiliated dispensaries, third-party distributors, and manufacturers. As a result Harborside's diverse cultivation methodologies, the Resulting Issuer's cost of production per pound will vary. This will enable the Resulting Issuer to offer cannabis at a wide range of price points, addressing differing customer and business-to-business desired price points, while at the same time maintaining the quality assurance standards regardless of which technique is deployed, further driving margins. It will also enable the Resulting Issuer to drive sales through a number of different channels. For example:

- Lower priced product will frequently be sold through business partnerships and other sales channels to manufacturers and extractors;
- Middle-market product will be sold to both manufacturers and consumers, depending on a range of factors; and
- More expensive, “top-shelf” product will be sold to consumers at the Resulting Issuer's dispensaries, other dispensaries, or through distributors.

The Resulting Issuer's capacity to produce cannabis at a range of price points is expected to provide the Resulting Issuer with a significant competitive advantage over others in the marketplace, particularly as a result of its integrated supply chain and access to a valuable data demonstrating customer and business purchasing behavior. Data from other states bear out some of the trends being observed directly in California. In Colorado, for example, the sale price of higher-priced flower has declined significantly, while sale of lower-priced trim has increased significantly.[38] Given this trend, is expected that cultivating flower for sale at various price points will be necessary to maintain and gain market share, particularly in a dynamic market with changing business-to-business and business-to-consumer buying habits and preferences. This is especially true as manufactured cannabis products become more popular, requiring cheaper raw material input and offsetting demand for higher-quality, more expensive finished flower.

Plant Breeding Program

Harborside Oakland's cultivation campus is also experimenting with various strains of cannabis to identify, breed, and maintain the most promising ones. This plant breeding program is intended to establish three categories of genetics:

1) Popular genotypes consistently in demand, selected for the most attractive phenotypes;
2) A unique, stable set of genotypes custom-chosen for characteristics that enable vigorous growth in the growing environments at each production campus; and
3) Experimental genotypes bred specifically to thrive at each cultivation campus's growing environment with the goal of establishing exclusive branded product lines from these proprietary strains.

It is expected that the Resulting Issuer will continue the plant breeding program.

Branded Products

The Resulting Issuer is expected to also sell products directly to consumers through the Harborside Dispensaries as well as to other dispensaries, distributors, and manufacturers under its own brands: Harborside and Key. The Key brand was developed to help Harborside Oakland to penetrate third party stores that do not want to carry the Harborside brand. Harborside Oakland also partners with contract

[38] New Frontier Data, *CannaBit Colorado’s Cannabis Wholesale Price Trends,* indicates that flower wholesale prices declined 50% from January 2015 to April 2018, while flower trim wholesale prices increased by 92% during the same period

manufacturers to produce white-labeled extracts, vaporizer pens, and edible products which are then packaged and marketed under the Harborside and Key brands for sale through company owned / managed dispensaries (as well as through third-party dispensaries and distributors).

Examples of Harborside and Key Branded Products

The Resulting Issuer intends to continue to enhance the Harborside and Key brands and to augment the existing branded products in its cultivation and production operations.

<u>Contract Manufacturer Partnerships</u>

Harborside Oakland has partnered with various contract manufacturers to produce some of its branded products. Typically, these partnerships involve providing raw material from Harborside's cultivation operations for finished products from the manufacturer, along with a direct cash payment to the manufacturer for producing a finished product such as an extract from the raw material provided. While Harborside Oakland continues to iterate and improve upon the terms of these manufacturing partnerships, it recognizes that such relationships with third-party manufacturers will always inherently require some form of payment from to the manufacturer (i.e. fees charged by white-label manufacturers), and for this reason the Resulting Issuer intends to continue to explore direct investment opportunities to establish in-house manufacturing capabilities to capture more margin.

As shown in the figure below, the Resulting Issuer evaluates its market positioning, target demographics, sales performance, strengths, weaknesses, and offered product mix associated with each of its brands. This evaluation informs Harborside's strategy for determining how best to take these brands to market, including such factors as the demographic that will be targeted by each brand, and which products should be developed under each brand.

Brand Portfolio		
Brand	HARBORSIDE	KEY
Position	Trusted name in cannabis	Value brand for the cost-conscious
Product Offering	CURRENT Mid-Grade Flower Concentrates Pre-Rolled Joints PIPELINE High-Grade Flower Edibles Vape Cartridges Terp Sauce Pens Capsules Tinctures	CURRENT Mid-Grade Flower Concentrates Pre-Rolled Joints PIPELINE High-Grade Flower Edibles Vape Cartridges Capsules Tinctures
Sales Channels	Harborside Stores Harborside Delivery RMCo Managed Dispensaries B2b via Harborside Farms	Harborside Stores Harborside Delivery RMCo Managed Dispensaries B2b via Harborside Farms

Intellectual Property

On September 22, 2017, FLRish IP, LLC, a wholly-owned subsidiary of FLRish, purchased the “Harborside” marks registered in California and with the United States Patent and Trademark Office as well as all trade secrets, mask work, materials, processes, operating procedures and other unregistered intellectual property (the “**Harborside Intellectual Property**”) from Oots, LLC, a limited liability company, which had acquired the rights from Harborside Oakland. This exchange had previously been agreed to in verbal form, but the Intellectual Property Purchase Agreement memorialized the terms. In exchange for the Harborside Intellectual Property, FLRish (a) agreed to waive all fees arising from the MSAs with Harborside Oakland in excess of 15% of the gross revenues less tax, and (b) agreed to hire a number of the Harborside Oakland executives and to issue an aggregate amount of stock options to that team.

On December 25, 2017, FLRish IP, Harborside Oakland, and Harborside San Jose executed the Multi-Party Restriction on Right to Use Harborside Marks. This agreement reiterated and expanded on the terms of the parties' right to use the Harborside brand name. Harborside Oakland and Harborside San Jose maintained the rights to use the Harborside brand name for retail purposes in a single location in Oakland and San Jose, respectively. FLRish agreed not to use the marks for retail within San Jose or Oakland for retail without a waiver from Harborside Oakland or Harborside San Jose.

Market Intelligence

The Resulting Issuer will have 12 years of detailed consumer trends, buying habits, demographic data, product trends, purchase price data and similar proprietary market data available for driving revenue growth and expansion as well as its robust wholesale and retail product offerings.

Employees

On closing of the Transaction, the Resulting Issuer is expected to have 206 employees and consultants distributed among the following departments in all of the Resulting Issuer's owned and controlled entities for which financial statements will be consolidated with the Resulting Issuer, including Harborside Oakland, Harborside San Jose and the Terpene Station Dispensaries:

	Number of Employees/Consultants		
Department	**FLRish**	**Lineage**	**Resulting Issuer**
Retail:	65	16	81
Security:	15		15
Cultivation:	30		30
Manufacturing & Research and Development:	37		37
Operations:	4	1	5
Finance & Accounting:	7	1	8
Human Resources:	5		5
Marketing:	1	1	2
Information Technology & Analytics:	2		2
Facilities:	8		8
Administration:	3		3
Compliance:	4		4
Executive Operations:	3	3	6
Total:	**184**	**22**	**206**

4.1(5) <u>Lending and Investment Policies and Restrictions</u>

This Item is not applicable to the Corporation or FLRish, and will not be applicable to the Resulting Issuer.

4.1(6) <u>Bankruptcy and Receivership</u>

Neither the Corporation nor FLRish, nor any of their respective subsidiaries, have been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings, within any of the three most recently completed financial years (as applicable) or the current financial year.

4.1(7) <u>Material Restructuring</u>

See Item 3.1 – *General Development of the Business – The Transaction.*

4.1(8) <u>Fundamental Social and Environmental Policies</u>

The Corporation has not implemented social or environmental policies that are fundamental to the Corporation's operations.

FLRish adheres to the following social and environmental general principles:

- Seeking out and using environmentally sustainable materials, technologies, and processes in all areas of operations;

- Recruiting and developing a diverse workforce and leadership team;
- Working for economic and workplace fairness for all employees by meeting or exceeding local employment requirements with regards to compensation and benefits;
- Engaging with local communities by sponsoring organizations and events; and
- Supporting cannabis policy reform efforts.

4.2 Asset Backed Securities

Neither the Corporation nor FLRish have, and the Resulting Issuer is not expected to have, any asset backed securities.

4.3 Companies with Mineral Projects

Prior to its change of business into the cannabis industry, Lineage was engaged in the acquisition, exploration and development of properties for the mining of precious metals in North America and had been engaged in exploration for precious metals in the province of Quebec. Lineage currently holds mining assets in the Launay Project which it considers to be non-core assets. These interests will, if a viable opportunity presents itself, be monetized.

4.4 Companies with Oil and Gas Operations

Neither the Corporation nor FLRish have, and the Resulting Issuer is not expected to have, any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Consolidated Financial Information – Annual and Interim Information

Lineage Annual Information

The following table sets forth selected financial information for the Corporation for the years ended January 31, 2018 and 2017. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements. See Schedule "A" – *Financial Statements of Lineage*.

	As at and for the year ended January 31, 2018 (audited) (C$)	As at and for the year ended January 31, 2017 (audited) (C$)
Statement of operations		
Total revenue	-	-
Net loss from operations	(1,226,258)	(256,571)
Net loss	(2,592,012)	(272,460)
Net loss per share (basic and diluted)	(0.079)	(0.026)
Statement of financial position		
Total assets	4,528,801	622,334
Total liabilities	4,341,885	165,506
Cash dividends declared per share	-	-

FLRish Annual Information

The following tables set forth selected financial information for FLRish as at and for the years ended December 31, 2017 and 2016. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements. See Schedule "B" – *Financial Statements of FLRish.*

	FLRish as at and for the year ended December 31, 2017 (audited) (US$)	**FLRish as at and for the year ended December 31, 2016 (audited) (US$)**
Statement of operations		
Total revenue	14,682,010	6,061,341
Net loss attributable to the Corporation	(5,942,059)	(3,437,975)
Statement of financial position		
Total assets	20,597,134	17,311,136
Total liabilities	21,403,590	11,759,131
Shareholders' equity (deficit)	(806,456)	5,552,005

Harborside Dispensaries Annual Information

The following tables set forth selected financial information for the Harborside Dispensaries as at and for the years ended December 31, 2017 and 2016. Such information is derived from the financial statements of the Harborside Dispensaries and should be read in conjunction with such financial statements. See Schedule "C" – *Financial Statements of Harborside Dispensaries.*

	Harborside Dispensaries as at and for the year ended December 31, 2017 (audited) (US$)	**Harborside Dispensaries as at and for the year ended December 31, 2016 (audited) (US$)**
Statement of operations		
Total revenue	45,316,159	43,391,533
Net loss attributable to the Corporation	(7,320,746)	(1,023,169)
Statement of financial position		
Total assets	16,300,462	7,269,019
Total liabilities	24,177,514	7,825,325
Shareholders' equity (deficit)	(7,877,052)	(556,306)

Selected Interim Information and Pro Forma Information

The following tables set forth selected financial information for Lineage, FLRish, the Harborside Dispensaries, and pro forma consolidated financial information for the Resulting Issuer as at and for the nine months ended October 31, 2018. Such information is derived from the unaudited interim financial statements of the Lineage, FLRish and the Harborside Dispensaries and unaudited pro forma financial statements for the Resulting Issuer and should be read in conjunction with such financial statements.

	Lineage as at and for the nine months ended October 31, 2018 (unaudited) (US$)	FLRish as at and for the nine months ended September 30, 2018 (unaudited) (US$)	Harborside Dispensaries as at and for the nine months ended September 30, 2018 (unaudited) (US$)	Pro Forma Adjustments (US$)	Resulting Issuer Pro Forma Consolidation (unaudited) (US$)
Statement of operations					
Revenue	147,743	15,796,735	31,851,167	(15,796,735)	31,998,910
Gross profit (loss)	53,771	9,885,110	604,584	-	10,543,465
Net income (loss)	(1,696,711)	(5,137,975)	(10,053,746)	-	(16,888,432)
Statement of financial position					
Total assets	3,843,190	28,101,283	11,475,042	63,403,702	106,823,216
Total liabilities	1,471,239	26,545,067	29,409,364	9,984,677	67,410,347
Total shareholders' equity (deficit)	2,371,951	1,556,215	(17,934,322)	53,419,025	39,412,869

See Schedule "A" – *Financial Statements of Lineage*, Schedule "B" – *Financial Statements of FLRish,* Schedule "C" – *Financial Statements of Harborside Dispensaries* and Schedule "D" – *Pro-forma Financial Statements of the Resulting Issuer*.

5.2 Dividends

The Corporation has not declared distributions on Lineage Common Shares in the past. The Corporation currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Corporation does not intend to pay dividends on Lineage Common Shares in the foreseeable future in cash or property. Any future determination to pay distributions will be at the discretion of the board of directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the board of directors deems relevant. The Corporation is not bound or limited in any way to pay dividends in the event that the board of directors determined that a dividend was in the best interest of its shareholders.

Notwithstanding the foregoing paragraph, the Corporation expects to declare a stock dividend to holders of Lineage Common Shares on the Record Date in Special Shares. Please see Item 10.1 – *Description of the Securities – Lineage – Special Shares* for details.

IFRS

The financial statements included in this Listing Statement have been, and the future financial statements of the Corporation shall be, prepared in accordance with IFRS.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's MD&A for year ended January 31, 2018 and the three and nine months ended October 31, 2018 is attached to this Listing Statement as Schedule "E" – *MD&A of Lineage.*

FLRish's MD&A for the year ended December 31, 2017 and for the three and nine months ended September 30, 2018 is attached to this Listing Statement as Schedule "F"– *MD&A of FLRish.*

Harborside Dispensaries' MD&A for the year ended December 31, 2017 and for the three and nine months ended September 30, 2018 is attached to this Listing Statement as Schedule "G"– *MD&A of Harborside Dispensaries.*

7. MARKET FOR SECURITIES

There is no market for FLRish Shares. The Lineage Common Shares are listed on the CSE under the symbol "BUDD". The Resulting Issuer expects that the Resulting Issuer Shares will be traded on the CSE under the symbol "HBOR".

8. CONSOLIDATED CAPITALIZATION

The following table summarizes the Resulting Issuer's consolidated capitalization of the share and loan capital of the Resulting Issuer as of the dates hereof triggered on the date of the Transaction and the Resulting Issuer Shares issuable pursuant to the Transaction as though it had occurred on such date. The table should be read in conjunction with the financial statements of the Corporation and FLRish, including the notes thereto, included elsewhere.

Designation of Securities	Number of Underlying Resulting Issuer Shares (Minimum Offering)	Number of Underlying Resulting Issuer Shares (Maximum Offering)	Number of Underlying Resulting Issuer Shares (Full Exercise of Over-Allotment Option)	Percentage (Minimum Offering)	Percentage (Maximum Offering)	Percentage (Full Exercise of Over-Allotment Option)
Lineage Existing Shareholders	1,827,742	1,827,742	1,827,742	3.4%	2.8%	2.6%
Conversion of Series A Special Shares	1,070,707	1,070,707	1,070,707	2.0%	1.6%	1.5%
Advisory Fee for FMICA for Transaction	380,853	419,563	426,337	0.7%	0.6%	0.6%
FLRish Existing Shareholders Subordinate Voting Shares	-	-	-	0.0%	0.0%	0.0%
Series B Convertible Debenture Holders SVS Shares	2,717,495	2,717,495	2,717,495	5.1%	4.2%	3.9%
Concurrent Financing Purchasers	1,290,323	9,032,258	10,387,097	2.4%	13.9%	14.8%
Airfield Stock Consideration	-	-	2,745,806	0.0%	0.0%	3.9%
Non-Diluted Subordinate Voting Shares	**7,287,121**	**15,067,765**	**19,175,185**	**13.7%**	**23.1%**	**27.4%**
Lineage Warrants	557,357	557,357	557,357	1.1%	0.9%	0.8%
Lineage Convertible Debts	72,696	72,696	72,696	0.1%	0.1%	0.1%
Lineage Options	134,232	134,232	134,232	0.3%	0.2%	0.2%
Series B Special Shares	275,325	275,325	275,325	0.5%	0.4%	0.4%
Series C Special Shares	336,508	336,508	336,508	0.6%	0.5%	0.5%
Shares issuable to Vendors in LUX Acquisition	430,315	430,315	430,315	0.8%	0.7%	0.6%
Shares issuable to finder for LUX Acquisition	20,046	20,046	20,046	0.0%	0.0%	0.0%
Shares issuable to Vendors in Agris Farms Acquisition	606,958	606,958	606,958	1.1%	0.9%	0.9%
Convertible Debt for assumption of Agris Farms Acquisition	251,087	251,087	251,087	0.5%	0.4%	0.4%
Warrants issuable for Agris Farms Acquisition	221,920	221,920	221,920	0.4%	0.3%	0.3%
FMICA M&A Fee for Legacy Pipeline Acquisitions	140,778	140,778	140,778	0.3%	0.2%	0.2%
Total Lineage Convertible Securities	**3,047,223**	**3,047,223**	**3,047,223**	**5.7%**	**4.7%**	**4.3%**
Series B Convertible Debenture Holders SVS Shares	4,209,003	4,209,003	4,209,003	7.9%	6.5%	6.0%
FLRish Existing Shareholders MVS (expressed in SVS terms)	27,051,706	27,051,706	27,051,706	51.0%	41.5%	38.6%
FLRish Options (expressed in SVS terms)	6,526,378	6,526,378	6,526,378	12.3%	10.0%	9.3%
Series B Warrants (expressed in SVS terms)	3,989,124	3,989,124	3,989,124	7.5%	6.1%	5.7%
Series B Broker & Compensation Warrants	168,303	168,303	168,303	0.3%	0.3%	0.2%
Concurrent Financing Warrants	645,162	4,516,129	5,193,549	1.2%	6.9%	7.4%
Concurrent Financing Broker Warrants	90,323	632,258	727,097	0.2%	1.0%	1.0%
Total FLRish Convertible Securities	**42,679,998**	**47,092,901**	**47,865,159**	**80.5%**	**72.2%**	**68.3%**
Total Convertible Securities	**45,727,221**	**50,140,123**	**50,912,382**	**86.3%**	**76.9%**	**72.6%**
Total Fully Diluted Capital	**53,014,341**	**65,207,889**	**70,087,567**	**100.0%**	**100.0%**	**100.0%**

9. OPTIONS TO PURCHASE SECURITIES

Lineage Options

An aggregate of 5,613,333 options to purchase Lineage Common Shares ("**Lineage Options**") are outstanding as of the date of this Listing Statement, particulars of which are set out below.

Grant Date	Expiry Date	Lineage Options	Exercise Price (C$)	Vesting Provisions
December 12, 2016	December 12, 2021	85,000	$0.10	100% vesting on grant
May 24, 2018	May 24, 2023	1,875,000	$0.25	1/6 on grant, 1/6 every 6 month
May 24, 2018	May 24, 2023	800,000	$0.25	25% on grant and 25% every 3 months
August 3, 2018	August 3, 2023	20,000	$0.25	1/3 to vest after each of 6 months, 12 months and 18 months
December 14, 2018	December 14, 2023	2,833,333	$0.165	100% vesting on grant
TOTAL:		**5,613,333**		

The Lineage Options were granted under the Lineage Option Plan. Please see Item 15.1 – *Lineage Executive Compensation – Stock Option Plans and Other Incentive Plans* for details of the terms of the Lineage Option Plan.

FLRish Options

An aggregate of 5,787,378 options to purchase shares of Series A Common stock of FLRish ("**FLRish Options**") are outstanding as of the date of this Listing Statement, particulars of which are set out below.

Grant Date	Expiry Date	FLRish Options	Exercise Price (US$)	Vesting Provisions
August 1, 2016	August 1, 2026	1,327,500	$0.05	All are fully vested. Vesting was 37.5% at issue and 6.25% every full calendar quarter from the grant date.
August 1, 2016	August 1, 2021	1,193,878	$0.055	All are fully vested. Vesting was 37.5% at issue and 6.25% every full calendar quarter from the grant date.
August 1, 2016	August 1, 2026	1,037,125	$0.05	Vesting is contingent on: the completion of a change of certain events including, a qualified public offering, total issuance made under the Plan, and resolution of claims against the Plan.
July 26, 2017	July 26, 2027	20,000	$0.05	10% each quarter after the grant date.
July 27, 2017	July 27, 2027	287,500	$0.05	25% immediately on grant date and 6.25% every three months thereafter, upon the close of the Transaction all unvested shares shall vest in equal monthly installments for 12 months.
July 27, 2017	July 27, 2027	300,000	$0.05	25% on the one year anniversary of the Grant Date and 6.25% every three months after the one year anniversary of the Grant Date, upon the close of the Transaction all unvested shares shall vest in

				equal monthly installments for 12 months.
December 4, 2017	December 4, 2027	27,375	$4.15	6.25% every full calendar quarter after the grant date.
April, 25, 2018	April 25, 2028	240,000	$4.15	In equal monthly installments from April 1, 2018 until fully vested on April 1, 2019.
April, 25, 2018	April 25, 2028	874,583	$4.15	8.33% vesting every very three months from the grant date.
April, 25, 2018	April 25, 2028	364,417	$4.15	50% vesting immediately and 4.16% vesting each month thereafter from the grant date.
May 15, 2018	May 15, 2029	35,000	$4.15	Immediately vested.
September 12, 2018	September 12, 2028	50,000	$4.15	6.25% every three months from the grant date.
November 7, 2018	November 7, 2028	10,000	$5.31	6.25% every full calendar quarter after the grant date.
November 29, 2018	November 29, 2028	20,000	$5.31	6.25% every full calendar quarter after the grant date.
TOTAL:		**5,787,378**		

Notes:

(1) Grant is contingent on the close of a Qualified Acquisition or Qualified Public Offering as those terms are defined in the FLRish Amended and Restated Articles of Incorporation. The Transaction will meet such definition.

(2) Based on the FLRish internal valuation or the price of equities sold prior to such grant.

An aggregate of 769,000 contingent stock grants of shares of Series A Common stock of FLRish ("**FLRish Options**") are outstanding as of the date of this Listing Statement, particulars of which are set out below.

Grant Date	Expiry Date	FLRish Options	Exercise Price (US$)	Vesting Provisions
April 25, 2018	N/A	769,000	N/A	Vesting upon the close of a qualified public listing or acquisition, such as the Transaction and ability to alienate such vested shares.
TOTAL:		**769,000**		

<u>Resulting Issuer Equity Incentive Plan</u>

At the Lineage shareholders' meeting scheduled for May 16, 2019, shareholders of the Corporation will be asked to approve the Equity Incentive Plan, the principal terms of which are described under Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation*. It is expected that the Equity Incentive Plan will be adopted by the Resulting Issuer on closing of the Transaction.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Securities

Lineage

Lineage Common Shares

Lineage's authorized capital consists of an unlimited number of Lineage Common Shares without par value and an unlimited number of preferred shares without par value. The holders of Lineage Common Shares are entitled to receive dividends if, as and when declared by the directors of Lineage out of the assets of

Lineage properly applicable to the payment of dividends in such amount and payable at such time as and at such place in Canada as the Board of Directors of Lineage may from time to time determine. In the event of liquidation, dissolution or winding up of Lineage, whether voluntary or involuntary, or other distribution of assets or property of Lineage amongst its shareholders for the purpose of winding up its affairs, holders of Lineage Common Shares shall be entitled to receive all property and assets of Lineage properly distributable to its shareholders. The holders of the Lineage Common Shares shall be entitled to vote at all meetings of the shareholders of Lineage and at all such meetings each such holder has one (1) vote for each Lineage Common Share held.

As at the date of this Listing Statement, there is a total of 75,997,868 Lineage Common Shares issued and outstanding and zero preferred shares issued and outstanding.

<u>Special Shares</u>

Prior to closing of the Transaction, Lineage expects to file articles of amendment to, among other amendments, create a class of unlimited number of special shares issuable in series, with up to 45,000,000 special shares designated as Series A special shares (the "**Series A Special Shares**"), up to 12,000,000 special shares designated as Series B special shares (the "**Series B Special Shares**"), and up to 15,000,000 special shares designated as Series C special shares (the "**Series C Special Shares**", together with Class A Special Shares and Class B Special Shares, the "**Special Shares**").

Prior to closing of the Transaction, Lineage expects to declare and pay a stock dividend to the holders of the Lineage Common Shares prior to closing in Special Shares.

The Special Shares will be non-voting and will not be entitled to receive notice of meeting of shareholders, unless otherwise required by law. The Special Shares will not be entitled to vote as a separate class, unless otherwise required by law.

The Special Shares will not receive any dividend, and will not participate in distribution of Lineage's assets in case of dissolution or winding up.

Each Series A Special Share will be automatically converted into one Lineage Common Share upon the completion of the Transaction without payment of additional consideration or any further action from the holder. Each Series B Special Share will be automatically converted into one Lineage Common Share upon the completion of the LUX Acquisition without payment of additional consideration or any further action from the holder. Each Series C Special Share will be automatically converted into one Lineage Common Share upon the completion of the Agris Farms Acquisition without payment of additional consideration or any further action from the holder. If the Resulting Issuer terminates Agris Farms Acquisition or the LUX Acquisition for reasons other than (i) the failure to receive regulatory approval for the applicable acquisition prior to six (6) months from closing of the Transaction; or (ii) the discovery of an undisclosed Material Adverse Effect of at least ten percent (10%) of the total applicable purchase price for the applicable acquisition (which, with respect to the LUX Acquisition, shall not include the potential litigation of LUX with respect to litigation titled White Wolf Farms v. American Redstone, Yolo County Superior Court Case No. CV18-848 and any associated matters), then the Series B Special Shares with respect to the LUX Acquisition and Series C Special Shares with respect to the Agris Farms Acquisition shall automatically be converted into Subordinate Voting Shares on the date of the termination of the applicable acquisition.

If after the issuance of the Special Shares, the Lineage Common Shares are consolidated in the Consolidation and are reclassified on a post-Consolidation basis as Subordinate Voting Shares, then the number of underlying shares will be adjusted so that 41.818182 Special Shares will be converted into one Subordinate Voting Share.

The following table sets out the expected number of Special Shares to be issued as stock dividend prior to closing of the Transaction both before and after the Consolidation.

Stock Dividend	Aggregate Special Shares (Before Consolidation)	Aggregate Underlying Shares After Consolidation
Series A Special Shares	44,775,040	1,070,707
Series B Special Shares	11,513,581	275,325
Series C Special Shares	14,072,155	336,508
Total	**70,360,776**	**1,682,540**

Unless all of the Special Shares shall have otherwise been converted on or prior to the following dates:

(a) with respect to Series A Special Shares, July 2, 2019**;**
(b) with respect to Series B Special Shares, 180 days from closing of the Transaction**;**
(c) with respect to Series C Special Shares, 180 days from closing of the Transaction.

the applicable Special Shares shall, on the first Business Day following the applicable date, be automatically redeemed and shall be deemed to be redeemed without any act by Holders, at a redemption price of C$0.000001 per Special Share. All Special Shares redeemed by Lineage will be cancelled. Lineage will pay the redemption price by cheques provided the price to a holder is C$1.00 or more.

Lineage Warrants

Lineage has 23,307,665 (557,357 on a post-Consolidation basis) warrants to purchase Lineage Common Shares as of the date of this Listing Statement including 22,129,665 (529,187 on a post-Consolidation basis) warrants and 1,178,000 (28,170 on a post-Consolidation basis) broker or finder warrants.

Issue Date	Expiry Date	Exercise Price	Number of Warrants	Exercise Price (Post-Consolidation)	Number of Warrants (Post-Consolidation)
Warrants					
May 12, 2017	May 12, 2019	$0.325	10,000,000	$13.59	239,130
January 24, 2018	January 24, 2020	$0.325	4,740,000	$13.59	113,348
February 8, 2018	February 8, 2020	$0.325	3,442,065	$13.59	82,310
February 14, 2018	February 14, 2020	$0.325	3,047,600	$13.59	72,877
February 16, 2018	February 16, 2020	$0.325	900,000	$13.59	21,522
Warrants Subtotal			**22,129,665**		**529,187**
Broker/Finder Warrants					
May 12, 2017	May 12, 2019	$0.250	400,000	$10.45	9,565
January 24, 2018	January 24, 2020	$0.250	379,200	$10.45	9,068
February 8, 2018	February 8, 2020	$0.250	251,600	$10.45	6,017
February 14, 2018	February 14, 2020	$0.250	75,200	$10.45	1,798
February 16, 2018	February 16, 2020	$0.250	72,000	$10.45	1,722
Broker/Finder Warrants Subtotal			**1,178,000**		**28,170**
TOTAL			**23,607,665**		**557,357**

Lineage Options

As of the date of this Listing Statement, 5,613,333 (134,231 on a post-Consolidation basis) options had been granted pursuant to the Lineage Option Plan and 1,951,015 Lineage Options were still available to be granted. The weighted average exercise price for the outstanding Lineage Options is C$0.20 per Lineage Common Share.

For description of the Lineage Option Plan, see Item 15.1 – *Executive Compensation – Lineage Executive Compensation.*

Lineage Convertible Debt

Lineage Convertible Debentures

On May 12, 2017, Lineage completed a brokered private placement offering and issued 2,500 units to raise gross proceeds of up to C$2,500,000, with each unit issued at an issue price of C$1,000 and consisted of (i) C$1,000 principal amount of Lineage Convertible Debentures; and (ii) 4,000 common share purchase warrants. See Item 3.1 - *General Development of the Business – Lineage – Financing Activities* for details of the Lineage Convertible Debentures and warrants.

As at November 26, 2018, all of the Lineage Convertible Debentures have been converted into Lineage Common Shares in accordance with their terms.

SIDEX Debenture

Lineage also has a $50,000 principal amount of the SIDEX Debentures outstanding. See Item 3. 1 - *General Development of the Business – Lineage – Financing Activities* for details of the SIDEX Debentures.

On March 13, 2019, the SIDEX Debentures (which were assigned to a third party) totalling C$70,876.71 (C$50,000 principal and C$20,876.71) were converted into 354,384 Lineage Common Shares at a price of C$0.20 per share.

Terpene Station Convertible Notes

In connection with Lineage's acquisition of assets of the Terpene Station Dispensaries, Lineage and its subsidiaries issued two secured convertible notes dated August 29, 2018, as follows (collectively, the "**Terpene Station Convertible Notes**"):

- a secured convertible note granted by Lineage and LGSLORDIS1 in favour of vendor of the Terpene Station Portland assets in the principal amount of US$400,000 convertible into Lineage Common Shares at a price of C$0.35 per share carrying an interest rate of 12% per annum, with $75,000 to be repaid on each of August 29, 2019 and 2020 with the balance maturing on the 3rd anniversary of issuance. This note is secured by a general security granted by LGCLORDIS1 over its assets.

- a secured convertible note granted by Lineage and LGSLORDIS2 in favour of vendor of the Terpene Station Eugene assets in the principal amount of US$400,000 convertible into Lineage Common Shares at a price of C$0.35 per share carrying an interest rate of 12% per annum, with $75,000 to be repaid on each of August 29, 2019 and 2020 with the balance maturing on the 3rd anniversary of issuance. This note is secured by a general security granted by LGCLORDIS2 over its assets.

Conversion of Debt Owing to NHII

On January 25, 2019, Lineage and NHII entered into agreements amending the NHII LOI. As consideration for the amendment, Lineage and NHII agreed to convert the C$75,000 debt obligation owing by Lineage to NHII under the NHII LOI into a total of 454,545 Lineage Common Shares at C$0.165 per share, which conversion was effected on January 25, 2019. The amendment pertains to NHII waiving all unperformed obligations in the NHII LOI, provided however, if the Transaction is not completed by June 30, 2019, the unperformed obligations in the NHII LOI will again be reinstated.

FLRish

FLRish Shares

On June 12, 2018, FLRish filed its Amended and Restated Articles of Incorporation (the "**Amended Articles**"), as approved by the shareholders, created and set forth various classes and series of FLRish shares. The Amended Articles included the designation of five classes of stock: Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A Common Stock, Series B Common Stock, and Series C Common Stock. The Amended Articles authorized 91,000,000 shares of Common Stock and 20,000,000 shares of Preferred Stock.

The shares of Series A-1 Preferred Stock and Series A-2 Preferred Sock convert, upon certain occurrences including the proposed Transaction, into Series B Common Stock at the Series A Conversion Price, which initially is US$4.15 and is subject to adjustment as set forth in the Amended Articles. The Board of Directors of FLRish may determine that a specified percentage of all of the outstanding shares of Series A Common Stock, Series B Common Stock, Series A-1 Preferred Stock and Series A-2 Preferred Stock will be converted into shares of Series C Common Stock and Series A-2 Preferred Stock, respectively, without any further action on the part of such holders, all on a one-for-one basis.

Series A-1 Preferred Stock

The Series A-1 Preferred Stock is a class of voting preferred stock that was issued in the FLRish Series A equity financing. It has certain anti-dilution rights for the purpose of protecting from any lower valued financing rounds, possesses one vote per share, has certain liquidation preferences in the case of an unqualified merger or sale, and has redemption rights accruing on April 30, 2023.

FLRish has a total of 6,250,000 shares of Series A-1 Preferred Stock issued and outstanding as at the date of this Listing Statement. This amount is made up of 1,566,262 shares that were issued as part of FLRish's Series A equity financing, a Qualified Equity Financing ("**QEF**") as that term is defined in the Junior Notes and Senior Notes. The closing of the QEF resulted in the conversion of the Senior Notes and Junior Notes pursuant to the terms of such notes. FLRish issued 3,455,166 shares of Series A-1 Preferred Stock in satisfaction of the principal amount of the Senior Notes plus interest of US$7,048,594.10. FLRish issued 1,228,572 shares of Series A-1 Preferred Stock in satisfaction of the principal amount of the Junior Notes plus interest of US$4,255,803.30.

Series A-2 Preferred Stock

Series A-2 Preferred Stock is a class of preferred stock equivalent to the Series A-1 Preferred Stock but without voting rights. FLRish has a total of 1,422 shares of Series A-2 Preferred Stock issued and outstanding as at the date of this Listing Statement.

Series A Common Stock

Series A Common Stock is a class of voting common stock that possesses one voting right per share and also will be adjusted in the event or any subdivision or combination of the Series B Common Stock or Series

C Common Stock. The total amount of shares of Series A Common authorized is 11,000,000 shares. The Amended Articles provide for an adjustment for of the number of shares of Series B Common Stock issuable upon the conversion of the Series A Common Stock in the even that any Series A options expire or terminate or is otherwise cancelled without being exercised would be reallocated among the Series A Common stockholders pro rata. Additionally, upon an acquisition any paid in capital would be allocated among the Series A Common stockholders, or a substitution of equivalent rights in a new plan would occur

The Series A Common Stock is convertible at any time at the option of the holder into Series B Common Stock and is also mandatorily convertible upon a Qualified IPO or Qualified Acquisition, such as this Transaction. The initial conversion rate is one share of Series A Common Stock for one share of Series B Common Stock (1:1), and is subject to certain anti-dilution adjustments.

FLRish has a total of 4,443,622 shares of Series A Common Stock outstanding. An additional 6,556,378 shares of Series A Common Stock are reserved for issuance under the FLRish Option Plan.

Series B Common Stock

Series B Common Stock is a class of voting common stock that possesses one voting right per share. The total amount of shares of Series B Common Stock authorized is 40,000,000 shares. FLRish has a total of 15,489,154 shares of Series B Common Stock issued and outstanding as at the dated of this Listing Statement. In connection with the merger with Savature, FLRish issued 11,156,626 shares of Series B Common Stock to LMS. In connection with the MPMA, FLRish issued 1,204,819 shares of Series B Common Stock to DeAngelo, plus an additional 376,648 shares of Series B Common Stock to DeAngelo, and 1,686,747 shares of Series B Common Stock to Wedding.

Series C Common Stock

Series C Common Stock is a class of non-voting common stock that possesses no voting rights. The total amount of shares of Series C Common Stock authorized is 40,000,000 shares. FLRish has no shares of Series C Common Stock issued and outstanding as at the date of this Listing Statement.

Series D Common Stock

FLRish intends to create Series D Common Stock, a new class of non-voting common stock. FLRish has no shares of Series D Common Stock issued and outstanding as at the date of this Listing Statement.

<u>FLRish Options</u>

An aggregate of 5,787,378 FLRish Options are outstanding as of the date of this Listing Statement. See Item 9 – *Options to Purchase Securities – FLRish Options* for a description of the FLRish Options.

<u>FLRish Warrants</u>

CD Unit Warrants

Each CD Unit Warrant is exercisable into one FLRish Underlying Share at a price of C$8.60 per share until 5:00 p.m. (Toronto time) on October 30, 2020, subject to adjustment and/or acceleration in certain circumstances. The CD Unit Warrants are governed by the Warrant Indenture.

As at the date of this Listing Statement, FLRish has an aggregate of 3,989,124 CD Unit Warrants outstanding.

Broker Warrants

Each Broker Warrant is exercisable into one FLRish Underlying Share at an exercise price of C$6.90 per share until the earlier of 60 months from October 30, 2018 and 24 months from the completion of a Going Public Transaction, subject to adjustment and/or acceleration in certain circumstances.

As at the date of this Listing Statement, FLRish has an aggregate of 168,303 Broker Warrants outstanding.

<u>FLRish Convertible Debt</u>

FLRish Convertible Debentures

The FLRish Convertible Debentures bear interest at a rate of 12.0% per annum from their date of issuance, payable, semi-annually in arrears, with the first interest payment due on December 31, 2018. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The first interest payment will represent accrued interest from and including the date of issuance to, but excluding, the interest payment date. The interest shall be payable in cash or by issuing FLRish Underlying Shares at a price of C$6.90 per share against the amount of interest due, at the sole option of FLRish. The FLRish Convertible Debentures will mature on the Maturity Date. The principal amount of each FLRish Convertible Debenture will be convertible into FLRish Underlying Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date and automatically upon completion of a Going Public Transaction at a conversion price equal to the lower of: (a) C$6.90; or (b) a 10% discount to FLRish's share price at listing for a financing equal to C$5,000,000 or greater, subject to adjustment in certain customary events. Holders converting their FLRish Convertible Debentures will receive accrued and unpaid interest thereon, in cash or in FLRish Underlying Shares, at the option of FLRish, for the period from, and including, the date of the latest interest payment date to, and including, the date of conversion. FLRish has the right to prepay the principal amount of the FLRish Convertible Debentures at any time.

An aggregate of C$37,228,000 principal amount of FLRish Convertible Debentures are governed by the Trust Indenture. An aggregate of C$8,624,000 principal amount of FLRish Convertible Debentures, which were issued in settlement of certain debts of FLRish, are governed by a debenture indenture dated as of February 6, 2019.

As at the date of this Listing Statement, C$45,852,000 principal amount of FLRish Convertible Debentures was outstanding.

FLRish Convertible Notes

Between December 15, 2015 and July 28, 2016, FLRish issued the Senior Notes bearing 8% interest per annum with a principal face value in the aggregate of US$6,000,000 in exchange for US$6,000,000 in cash. The Senior Notes principal and accrued interest were convertible at the election of the noteholder or upon a qualified equity financing of US$5,000,000 with a valuation cap of US$25,000,000. No principal or interest payments were made prior to conversion. A qualified equity financing converting the Senior Notes into Series A Preferred Stock occurred on April 30, 2018.

Between November 22, 2016 and June 9, 2017, FLRish issued the Junior Notes bearing 12% interest per annum with a principal face value in the aggregate of US$3,660,000 in exchange for US$3,660,000 in cash. As of December 31, 2016 the company issued US$2,810,000 of Junior Notes. The Junior Notes principal and accrued interest were convertible at election of the noteholder or upon a qualified equity financing of US$5,000,000 with a valuation cap of US$50,000,000. No principal or interest payments were made prior to conversion. A qualified equity financing converting the Senior and Junior Notes into Series A Preferred Stock occurred on April 30, 2018.

On December 19, 2017 FLRish issued the Convertible Promissory Note to Murray Field & Company, LLC in exchange for US$1,000,000 in cash which, pursuant to its terms, was convertible upon FLRish raising US$4,000,000 in equity financing. On April 30, 2018, FLRish raised US$4,000,000 through the sale of Series A Preferred Stock and the principal Convertible Promissory Note converted automatically, with accrued interest paid in cash.

Resulting Issuer

The Resulting Issuer will be authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares and an unlimited number of Special Shares. Upon completion of the Transaction, the outstanding capital of the Resulting Issuer will consist of: (i) 7,427,899 Subordinate Voting Shares in case of the Minimum Offering, 15,208,544 Subordinate Voting Shares in case of the Maximum Offering, or 16,570,157 Subordinate Voting Shares in case of the Maximum Offering with full exercise of the Over-Allotment Option; (ii) 312,607 Multiple Voting Shares (convertible into 31,260,700 Subordinate Voting Shares); (iii) Series B Special Shares convertible into a total of 275,325 Subordinate Voting Shares in connection with the LUX Acquisition; and (iv) Series C Special Shares convertible into a total of 336,508 Subordinate Voting Shares in connection with the Agris Farms Acquisition.

Subordinate Voting Shares (formerly post-consolidation Lineage Common Shares)

Reclassification	Each post-consolidation Lineage Common Share held by a shareholder of the Resulting Issuer will be reclassified into one Subordinate Voting Share.
Right to Notice and Vote	Holders of Subordinate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.
Class Rights; Pre-Emptive Rights	As long as any Subordinate Voting Shares remain outstanding, the Resulting Issuer will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Resulting Issuer.
Dividends	Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Resulting Issuer, dividends in cash or property of the Resulting Issuer. No dividend will be declared or paid on the Subordinate Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Subordinate Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).

Changes	No subdivision or consolidation of the Subordinate Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares and Multiple Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	In the event that an offer is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Multiple Voting Shares are then listed, to be made to all or substantially all the holders of Multiple Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer, and for no other reason. In such event, the Corporation's transfer agent shall deposit the resulting Multiple Voting Shares on behalf of the holder. Should the Multiple Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Multiple Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Corporation or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

<u>Multiple Voting Shares</u>

Right to Vote	Holders of Multiple Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could then be converted (currently 100 votes per each Multiple Voting Share held).
Class Rights; Pre-emptive Rights	As long as any Multiple Voting Shares remain outstanding, the Resulting Issuer will not, without the consent of the holders of the Multiple Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Multiple Voting Shares. Holders of Multiple Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Resulting Issuer.
Dividends	The holders of the Multiple Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Resulting Issuer may by resolution determine, on an as-converted to Subordinate Voting Share basis at the Conversion Ratio (as defined below). No dividend will be declared or paid on the Multiple Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares.

Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Multiple Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares or Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares and Multiple Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	The Multiple Voting Shares each have a restricted right to convert into 100 Subordinate Voting Shares (the "**Conversion Ratio**"), subject to adjustments for certain customary corporate changes. The ability to convert the Multiple Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended, may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. (See *Foreign Private Issuer Protection Limitation*) In addition, the Multiple Voting Shares will automatically convert into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the United States Securities Act of 1933, as amended. In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Subordinate Voting Shares are then listed, to be made to all or substantially all the holders of Subordinate Voting Shares in a given province or territory of Canada to which these requirements apply, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares at the Conversion Ratio at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer. Should the Subordinate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Corporation or on the part of the holder, into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect.
Foreign Private Issuer Protection Limitation	The Resulting Issuer will use commercially reasonable efforts to maintain its status as a "foreign private issuer" (as determined in accordance with Rule 3b-4 under the Exchange Act. Accordingly, the Resulting Issuer shall not affect any conversion of Multiple Voting Shares, and the holders of Multiple Voting Shares shall not have the right to convert any portion of the Multiple Voting Shares to the extent that after giving effect to all permitted issuances after such conversions of

Multiple Voting Shares, the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act ("**U.S. Residents**")) would exceed forty percent (40%) (the "**40% Threshold**") of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions (the "**FPI Protective Restriction**"). The Board may by resolution increase the 40% Threshold to an amount not to exceed 50% and in the event of any such increase all references to the 40% Threshold herein, shall refer instead to the amended threshold set by such resolution.

Conversion Limitations. In order to effect the FPI Protection Restriction, each holder of Multiple Voting Shares will be subject to the 40% Threshold based on the number of Multiple Voting Shares held by such holder as of the date of the initial issuance of the Multiple Voting Shares and thereafter at the end of each of the Corporation's subsequent fiscal quarters (each, a "**Determination Date**"), calculated as follows:

X = (A x 0.4) - B x (C/D)

Where on the Determination Date:

X = Maximum Number of Subordinate Voting Shares Available For Issue upon Conversion of Multiple Voting Shares by a holder.

A = The Number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding on the Determination Date.

B = Aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by U.S. Residents on the Determination Date.

C = Aggregate number of Multiple Voting Shares held by holder on the Determination Date.

D = Aggregate number of all Multiple Voting Shares on the Determination Date.

For purposes of these limitations, the Board of Directors (or a committee thereof) shall designate an officer of the Resulting Corporation to determine as of each Determination Date: (A) the 40% Threshold and (B) the FPI Protective Restriction. Within thirty (30) days of the end of each Determination Date (a "**Notice of Conversion Limitation**"), the Resulting Issuer publish provide each holder of record a notice of the FPI Protection Restriction and the impact the FPI Protective Provision has on the ability of each holder to exercise the right to convert Multiple Voting Shares held by the holder. To the extent that requests for conversion of Multiple Voting Shares subject to the FPI Protection Restriction would result in the 40% Threshold being exceeded, the number of such Multiple Voting Shares eligible for conversion held by a particular holder shall be prorated relative to the number of Multiple Voting Shares submitted for conversion. To the extent that the FPI Protective Restriction applies, the determination of whether Multiple Voting Shares are convertible shall be in the sole discretion of the Resulting Issuer.

Special Shares

Following closing of the Transaction, the Resulting Issuer will have issued and outstanding Series B Special Shares convertible into a total of 275,325 Subordinate Voting Shares and Series C Special Shares convertible into a total of 336,508 Subordinate Voting Shares.

The rights and privileges of the Special Shares are set out in Item 10.1 – *Description of the Securities – Lineage – Special Shares*, except that following the filing of the Articles of Amendment, the conversion rights will be as follows:

Conversion	After closing of the Transaction, each 41.8181818 Series B Special Shares will automatically convert into one Subordinate Voting Share upon the completion of the LUX Acquisition without payment of additional consideration or any further action from the holder (with all Series B Special Shares convertible into an aggregate of 275,325 Subordinate Voting Shares). Each 41.8181818 Series C Special Shares will automatically convert into one Subordinate Voting Share upon the completion of the Agris Farms Acquisition without payment of additional consideration or any further action from the holder (with all Series C Special Shares convertible into an aggregate of 336,508 Subordinate Voting Shares)..

If the Resulting Issuer terminates Agris Farms Acquisition or the LUX Acquisition for reasons other than (i) the failure to receive regulatory approval for the applicable acquisition prior to six (6) months from closing of the Transaction; or (ii) the discovery of an undisclosed Material Adverse Effect of at least ten percent (10%) of the total applicable purchase price for the applicable acquisition (which, with respect to the LUX Acquisition, shall not include the potential litigation of LUX with respect to litigation titled White Wolf Farms v. American Redstone, Yolo County Superior Court Case No. CV18-848 and any associated matters), then the Series B Special Shares with respect to the LUX Acquisition and Series C Special Shares with respect to the Agris Farms Acquisition shall automatically be converted into Subordinate Voting Shares on the date of the termination of the applicable acquisition.

If the Resulting Issuer terminates Agris Farms Acquisition or the LUX Acquisition due to (i) the failure to receive regulatory approval for the applicable acquisition prior to six (6) months from closing of the Transaction; or (ii) the discovery of an undisclosed Material Adverse Effect of at least ten percent (10%) of the total applicable purchase price for the applicable acquisition (which, with respect to the LUX Acquisition, shall not include the potential litigation of LUX with respect to litigation titled White Wolf Farms v. American Redstone, Yolo County Superior Court Case No. CV18-848 and any associated matters), then the Series B Special Shares with respect to the LUX Acquisition and Series C Special Shares with respect to the Agris Farms Acquisition shall be redeemed at nominal value and cancelled.

Redemption

At the option of the Resulting Issuer, Subordinate Voting Shares and/or Multiple Voting Shares owned by an Unsuitable Person (as defined below) may be redeemed by the Resulting Issuer for the Redemption Price out of funds lawfully available on the redemption date. Subordinate Voting Shares and Multiple Voting Shares will be redeemable at any time and from time to time. The Resulting Issuer may pay the Redemption Price by using its existing cash resources, incurring debt, issuing additional Subordinate Voting Shares and Multiple Voting Shares, issuing a promissory note in the name of the Unsuitable Person, or by using a combination of the foregoing sources of funding.

For purposes hereof, "**Unsuitable Person**" means:

(i) any person with a 5% or more ownership of all of the issued and outstanding shares of the Resulting Issuer (a "**Significant Interest**") who a governmental authority granting the licenses for the business has determined to be unsuitable to own shares of the Resulting Issuer; or

(ii) any person with a Significant Interest whose ownership of shares may result in the loss, suspension or revocation (or similar action) with respect to any licenses or in the Resulting Issuer being unable to obtain any new licenses in the normal course, including, but not limited to, as a result of such person's failure to apply for a suitability review from or to otherwise fail to comply with the requirements of a governmental authority, as determined by the Board, in its sole discretion, after consultation with legal counsel and if a license application has been filed, after consultation with the applicable governmental authority.

In connection with the conduct of the business of the Resulting Issuer, the Resulting Issuer may require that any shareholder provide to one or more governmental authorities, if and when required, information and fingerprints for a criminal background check, individual history form(s), and other information required in connection with applications for licenses for the operation of the business of the Resulting Issuer.

Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. The Initial Holders, as the owners of all the outstanding Multiple Voting Shares, will enter into a customary coattail agreement with the Resulting Issuer and a trustee (the "**Coattail Agreement**"). The Coattail Agreement will contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale of Multiple Voting Shares by the Initial Holders if concurrently an offer is made to purchase Subordinate Voting Shares that:

a) offers a price per Subordinate Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares (on an as converted to Subordinate Voting Share basis);

(ii) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);

(iii) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and

(iv) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the restrictions contained in the Coattail Agreement will not prevent the transfer or sale of Multiple Voting Shares by an Initial Holder to a Permitted Holder, provided such transfer or sale is not or would not have been subject to the requirements to make a take-over bid or constitute or would constitute an exempt take-over bid (as defined by applicable securities laws). The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Multiple Voting Shares (including a transfer to a pledgee as security) by an Initial Holder will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the Articles.

The Coattail Agreement will contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action will be conditional on the Resulting Issuer or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee. The Resulting Issuer will agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares pursuant to the Coattail Agreement.

The Coattail Agreement will provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares excluding votes attached to Subordinate Voting Shares, if any, held by the Initial Holders and their Permitted Holders on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinate Voting Shares under applicable law.

Miscellaneous Securities Provisions

See Item 10.1 – *Description of the Securities* above.

10.2 Prior Sales

The Corporation

Lineage Common Shares

The following tables set forth the issuances of Lineage Common Shares within the last twelve (12) months before the date of this Listing Statement (excluding securities issued upon closing of the Transaction).

Date Issued	Number of Common Shares	Issue Price per Share ($)	Aggregate Issue Price ($)	Nature of Consideration
April 30, 2018	6,400,000	C$0.20	C$1,280,000	Conversion of Lineage Convertible Debentures
May 14, 2018	500,000	C$0.20	C$100,000	Conversion of Lineage Convertible Debentures
May 17, 2018	85,000	C$0.10	C$8,500	Exercise of Lineage Options
May 24, 2018	336,000	C$0.20	C$67,200	Payment of interest on Lineage Convertible Debentures
August 10, 2018	100,000	C$0.10	C$10,000	Exercise of Warrants
August 16, 2018	1,000,000	C$0.10	C$100,000	Exercise of Warrants
August 16, 2018	250,000	C$0.20	C$50,000	Conversion of Lineage Convertible Debentures
August 16, 2018	250,000	C$0.10	C$25,000	Exercise of Lineage Options

Date Issued	Number of Common Shares	Issue Price per Share ($)	Aggregate Issue Price ($)	Nature of Consideration
August 27, 2018	375,000	C$0.20	C$75,000	Conversion of Lineage Convertible Debentures
August 29, 2018	500,000	C$0.20	C$100,000	Conversion of Lineage Convertible Debentures
September 4, 2018	2,500,000	C$0.20	C$500,000	Conversion of Lineage Convertible Debentures
September 5, 2018	975,000	C$0.20	C$195,000	Conversion of Lineage Convertible Debentures
September 7, 2018	250,000	C$0.20	C$50,000	Conversion of Lineage Convertible Debentures
September 17, 2018	250,000	C$0.20	C$50,000	Conversion of Lineage Convertible Debentures
October 1, 2018	50,000	C$0.10	C$5,000	Exercise of Warrants
October 2, 2018	550,000	C$0.10	C$55,000	Exercise of Warrants
October 30, 2018	386,909	C$0.165	C$63,839.99	Payment to FMICA of consulting fee on Terpene Station acquisition
October 31, 2018	300,000	C$0.10	C$30,000	Exercise of Warrants
November 1, 2018	150,000	C$0.10	C$15,000	Exercise of Warrants
November 2, 2018	2,595,000	C$0.10	C$259,500	Exercise of Warrants
November 5, 2018	258,000	C$0.10	C$25,800	Exercise of Warrants
November 6, 2018	7,500	C$0.10	C$750	Exercise of Warrants
November 9, 2018	825,000	C$0.10	C$82,500	Exercise of Warrants
November 14, 2018	536,680	C$0.10	C$53,668	Exercise of Warrants
November 16, 2018	415,000	C$0.10	C$41,500	Exercise of Warrants
November 22, 2018	750,000	C$0.10	C$75,000	Exercise of Warrants
November 22, 2018	125,000	C$0.10	C$12,500	Exercise of Options
November 26, 2018	500,000	C$0.20	C$100,000	Conversion of Lineage Convertible Debentures

Date Issued	Number of Common Shares	Issue Price per Share ($)	Aggregate Issue Price ($)	Nature of Consideration
November 26, 2018	17,000	C$0.10	C$1,700	Exercise of Warrants
November 28, 2018	300,000	C$0.10	C$30,000	Exercise of Warrants
December 4, 2018	415,000	C$0.10	C$41,500	Exercise of Options
December 4, 2018	1,125,000	C$0.10	C$112,500	Exercise of Warrants
December 5, 2018	415,000	C$0.10	C$41,500	Exercise of Options
December 5, 2018	590,860	C$0.10	C$59,086	Exercise of Warrants
December 5, 2018	200,000	C$0.19	C$38,000	Payment to Quinsam of termination fee on Herbiculture LOI
December 7, 2018	1,060,000	C$0.10	C$106,000	Exercise of Warrants
December 7, 2018	1,040,000	C$0.10	C$104,000	Exercise of Options
December 12, 2018	207,549	C$0.10	C$20,754	Exercise of Warrants
December 14, 2018	250,000	C$0.10	C$25,000	Exercise of Options
December 17, 2018	166,667	C$0.165	C$27,500	Exercise of Options
January 25, 2019	250,000	C$0.10	C$25,000	Exercise of Options
January 25, 2019	454,545	C$0.165	C$75,000	Conversion of NHII $75,000 Debt
March 13, 2019	354,384	C$0.20	C$70,876.71	Conversion of SIDEX Debentures in the total amount of C$70,876.71 (C$50,000 principal and C$20,876.71 Interest)

<u>Convertible Debt</u>

The following tables set forth the issuances of Lineage convertible debt within the last twelve (12) months before the date of this Listing Statement:

Issue Date	Principal Amount	Conversion Price (C$)	Underlying Lineage Common Shares	Maturity Date
August 29, 2018	US $400,000	$0.35	1,520,000(1)	US$75,000 is due on each of August 29, 2019 and 2020, with the balance due August 29, 2021
August 29, 2018	US $400,000	$0.35	1,520,000(1)	
January 25, 2019(2)	C$75,000	$.0165	454,545	Within 10 days after termination date.
Total	**$1,139,000(1)**		**3,494,545**	

Notes:

(1) Assuming US$/C$ exchange rate of 1.33.
(2) Converted on January 25, 2019 in satisfaction of debt owing to NHII under the NHII LOI in connection with the termination of the NHII LOI.

See Item 10.1 – *Description of the Securities – Lineage – Lineage Convertible Debt – Terpene Station Convertible Notes* for details.

Lineage Options

The following tables set forth the issuances of Lineage options within the last twelve (12) months before the date of this Listing Statement:

Grant Date	Expiry Date	Lineage Options	Exercise Price (C$)	Vesting Provisions
May 24, 2018	May 24, 2023	1,875,000	$0.25	1/6 on grant, 1/6 every 6 month
May 24, 2018	May 24, 2023	800,000	$0.25	25% on grant and 25% every 3 months
August 3, 2018	August 3, 2023	20,000	$0.25	1/3 to vest after each of 6 months, 12 months and 18 months
December 14, 2018	December 14, 2023	3,000,000	$0.165	100% vesting on grant
TOTAL:		**5,695,000**		

FLRish

Immediately prior to the Transaction and excluding the FLRish Underlying Shares issuable on conversion of the FLRish Convertible Debentures and CD Unit Warrants, and excluding the SR Shares issuable on conversion of the Subscription Receipts, the outstanding share capitalization of FLRish would be as follows:

- 6,250,000 shares of Series A-1 Preferred stock outstanding;
- 1,422 shares of Series A-2 Preferred stock outstanding;
- 11,000,000 shares of Series A Common stock outstanding (assuming exercise of all options); and
- 15,489,154 shares of Series B Common stock outstanding.

The following tables set forth the issuances of securities by FLRish within the last twelve (12) months before the date of this Listing Statement (excluding securities issued upon closing of the Transaction).

Date of Issue	Description	Number of Securities Sold	Price Per Share	Description of Consideration
April 30, 2018	Series A-1 Preferred Shares	1,566,265	US$4.15	Cash
October 30, 2018	FLRish Convertible Debentures	C$6,212,000 principal amount	N/A	Cash
October 30, 2018	CD Unit Warrants	540,444	N/A	Cash
October 30, 2018	Broker Warrants	63,019	N/A	Services
November 16, 2018	FLRish Convertible Debentures	C$28,566,000 principal amount	N/A	Cash
November 16, 2018	CD Unit Warrants	2,485,242	N/A	Cash
November 16, 2018	Broker Warrants	105,284	N/A	Services

Date of Issue	Description	Number of Securities Sold	Price Per Share	Description of Consideration
December 31, 2018	Series B Common Stock	80,589	C$6.90	Debenture Interest
February 6, 2019	FLRish Convertible Debentures	C$8,624,000 principal amount	N/A	Debt
February 6, 2019	CD Unit Warrants	750,288	N/A	Debt
February 6, 2019	FLRish Convertible Debentures	C$2,450,000 principal amount	N/A	Cash
February 6, 2019	CD Unit Warrants	213,150	N/A	Cash
April 22, 2019	Convertible Debt	US$143,000 principal amount	N/A	Settlement of a Dispute

10.3 Stock Exchange Price

The Lineage Common Shares commenced trading on the CSE under the symbol "BUDD" on March 5, 2018. The following. The following table sets forth the reported high and low prices and the trading volumes for the Lineage Common Shares for the 12-month period preceding the date of this Listing Statement.

	High (C$)	Low (C$)	Volume
March 5-31, 2018	C$0.49	C$0.21	35,705,190
April 2018	C$0.28	C$0.18	7,008,070
May 2018	C$0.23	C$0.17	3,075,258
June 2018	C$0.26	C$0.17	7,227,956
July 2018	C$0.23	C$0.16	5,981,040
August 1-10, 2018	C$0.22	C$0.16	2,183,753

The Lineage Common Shares were halted from trading on August 13, 2018 pending announcement of the Transaction. The last day the Lineage Common Shares traded was August 10, 2018 with a closing price of C$0.165.

11. ESCROWED SECURITIES

11.1 Lineage Escrowed Securities

The table immediately below sets out the number of securities held by principals and certain other shareholders of Lineage that were held in escrow upon listing of the Lineage Common Shares on the CSE.

Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of class
Lineage Common Shares	6,667,655	8.72%
Lineage Options	63,750	1.14%
Lineage Warrants	690,000	2.96%

Lineage is classified as an "emerging issuer" pursuant to NP 46-201. An "emerging issuer" is an issuer that after its initial public offering is not an "exempt issuer" or an "established issuer" (as such terms are defined in NP 46-201). As a result, the securities listed above will be released from escrow in stages over a 36 month period from the date of the CSE listing date (March 5, 2018), with 10% having been initially released and an additional 15% of such escrowed shares to be released on the 6, 12, 18, 24, 30 and 36 month anniversaries of the listing date.

11.2 Resulting Issuer Escrowed Securities

Escrow under NP 46-201

If the Maximum Offering is completed, the Resulting Issuer will be classified as an exempt issuer pursuant to NP 46-201 as its expected market capitalization will exceed C$100,000,000, and as such the Resulting Issuer is expected to be exempt from the escrow requirements of the CSE.

In the event that the Resulting Issuer is not exempt from the escrow requirements of the CSE, the Resulting Issuer will be classified as an "emerging issuer" under NP 46-201. An "emerging issuer" is an issuer that after its initial public offering is not an "exempt issuer" or an "established issuer" (as such terms are defined in NP 46-201). Based on the Resulting Issuer being an "emerging issuer" (as defined in NP 46-201), all securities held by Principals (as defined in NP 46-201) will be held in escrow prior to completion of the Transaction. All such escrowed securities will be subject to a 36 month escrow period. Ten percent of each Principal's escrowed securities will be exempt from escrow effective on the receipt of notice confirming the listing of the Resulting Issuer Shares on the CSE. Thereafter, the balance of the escrowed securities will be released over 36 months in six month intervals in equal tranches of 15% from the date of the listing of the Resulting Issuer Shares on the CSE.

The total number of shares that would be subject to the escrow in accordance with NP 46-201 on a fully diluted basis is expected to be: (i) 25,102,810 assuming completion of the Minimum Offering, representing 47.3% of the Resulting Issuer's capitalization on a fully diluted basis; (ii) 25,141,519 assuming completion of the Maximum Offering, representing 38.5% of the Resulting Issuer's capitalization on a fully diluted basis; and (iii) 25,148,293 assuming completion of the Maximum Offering with full exercise of the Over-Allotment Option, representing 35.8% of the Resulting Issuer's capitalization on a fully diluted basis. These numbers will be adjusted once the Concurrent Offering is completed.

Contractual Escrow

The promoters, 5% and greater shareholders, the officers and the directors of the Resulting Issuer, and certain large shareholders have agreed to enter into a Security Escrow Agency Agreement whereby they agree to escrow and not sell the shares except in accordance with the following release schedule:

On the date the Resulting Issuer's securities are listed on a Canadian exchange (the listing date)	1/10 of the escrowed securities ("**Initial Release**")
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	the remaining escrow securities

The total number of Resulting Issuer Shares expected to be subject to the contractual escrow on a fully diluted basis is: (i) 25,102,810 assuming completion of the Minimum Offering, representing 47.3% of the Resulting Issuer's capitalization on a fully diluted basis; (ii) 25,141,519 assuming completion of the Maximum Offering, representing 38.5% of the Resulting Issuer's capitalization on a fully diluted basis; and (iii) 25,148,293 assuming completion of the Maximum Offering with full exercise of the Over-Allotment Option, representing 35.8% of the Resulting Issuer's capitalization on a fully diluted basis.

12. PRINCIPAL SHAREHOLDERS

Principal Shareholders of Lineage

As of the date of this Listing Statement, to the knowledge of the directors and officers of Lineage, no person beneficially owns or exercises control or direction over Lineage Common Shares carrying more than 10% of the votes attached to Lineage Common Shares.

Principal Shareholders of FLRish

As of the date of this Listing Statement, to the knowledge of the directors and officers of FLRish, no person beneficially owns or exercises control or direction over FLRish shares carrying more than 10% of the votes attached to FLRish Shares, except for the following:

On a Non-Diluted Basis

Shareholder Name	Number of FLRish Shares Held Non-Diluted	% of FLRish Shares on Non-Diluted Basis Prior to giving effect to the Transaction and the Financing	Number of Resulting Issuer Shares to be Received Non-Diluted	% of Class on Non-Diluted basis		
				Assuming Completion of the Transaction and the Minimum Offering	Assuming Completion of the Transaction and the Maximum Offering	Assuming Completion of the Transaction and the Maximum Offering (with Over-Allotment)
Linneaus Management Services, LLC(1)	11,156,626	40.8%	0	0.0%	0.0%	0.0%
Stephen DeAngelo	3,611,466	13.2%	0	0.0%	0.0%	0.0%

Note:

(1) Roger Jenkins is a principal shareholder of LMS. LMS is a California limited liability company that currently holds 11,156,626 FLRish Shares. See Item 18 – *Promoters*.

On a Fully Diluted Basis

Shareholder Name	Number of FLRish Shares Held-Fully Diluted	% of FLRish Shares on Fully Diluted Basis Prior to giving effect to the Transaction and the Financing	Number of Resulting Issuer Shares to be Received Fully-Diluted	% of Class on Fully Diluted basis		
				Assuming Completion of the Transaction and the Minimum Offering	Assuming Completion of the Transaction and the Maximum Offering	Assuming Completion of the Transaction and the Maximum Offering (with Over-Allotment
Linneaus Management Services, LLC(1)	11,156,627	32.88%	11,156,627	21.0%	17.1%	15.9%
Stephen DeAngelo	3,811,466	11.23%	3,811,466	7.2%	5.8%	5.4%

Note:

(1) Roger Jenkins is a principal shareholder of LMS. LMS is a California limited liability company that currently holds 11,156,626 FLRish Shares. See Item 18 – *Promoters*.

Principal Shareholders of the Resulting Issuer

To the knowledge of the directors and officers of each of the Corporation and FLRish, following the Transaction, the following Persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer.

On a Non-Diluted Basis

Shareholder Name	Number of Resulting Issuer Shares to be Received Non-Diluted	Class of Resulting Issuer Shares to be Received	% of Class on Non-Diluted basis		
			Assuming Completion of the Transaction and the Minimum Offering	Assuming Completion of the Transaction and the Maximum Offering	Assuming Completion of the Transaction and the Maximum Offering (with Over-Allotment)
N/A	N/A	N/A	N/A	N/A	N/A

On a Fully Diluted Basis

Shareholder Name	Number of Resulting Issuer Shares to be Received Fully-Diluted	Class of Resulting Issuer Shares to be Received	% of Class on Fully-Diluted basis(3)		
			Assuming Completion of the Transaction and the Minimum Offering	Assuming Completion of the Transaction and the Maximum Offering	Assuming Completion of the Transaction and the Maximum Offering (with Over-Allotment)
Linneaus Management Services, LLC(1)	11,156,626	Subordinate Voting Shares(2)	21.0%	17.1%	15.9%

(1) Roger Jenkins is a principal shareholder of LMS. LMS is a California limited liability company that currently holds 11,156,626 FLRish Shares. See Item 18 – *Promoters*.

(2) On closing of the Transaction, the FLRish Shares held by LMS will be exchanged for Multple Voting Shares convertible into 11,156,626 Suboridnate Voting Shares of the Resulting Issuer. See Item 10.1 – *Description of the Securities – Resulting Issuer.*

(3) These percentage amounts also reflect the voting control of LMS on closing of the Transaction, on a fully diluted basis.

12.3 Voting Trusts

To the knowledge of the Corporation, no voting trust exists within the Corporation such that more than 10% of any class of voting securities of the Corporation are held, or are to be held, subject to any voting trust or other similar agreement.

12.4 Associates and Affiliates

To the knowledge of the Corporation none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

13. DIRECTORS AND OFFICERS

13.1 – 13.4 Directors and Officers

Directors and Officers of Lineage

The following table sets forth the name of all current directors and officers of Lineage, their municipalities of residence, their current positions with Lineage, their principal occupations during the past five years and the number and percentage of Lineage Common Shares (on a pre-Consolidation basis) beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement:

Name, Municipality and Country of Residence and Position Held	Principal Occupation for the Past Five Years(2)	Director/Officer of Lineage Since	Lineage Common Shares Beneficially Owned or Controlled(1) (Fully-Diluted)	Percentage of Issued and Outstanding Lineage Common Shares (Fully-Diluted)
Peter Bilodeau Windsor, Ontario, Canada *President, Chief Executive Officer and Director*	President and CEO of the Corporation from October 1, 2015 until April 24, 2017. Reappointed as President and CEO on April 9, 2018 to present. President of Wingold Energy Corp. from March 2017 to present. President of FMICA from April 2017 to present. CEO of FMI from May 2017 to present. President of Quinsam from December 2017 to present.	October 2013	1,655,814(2)	1.53%
Keith Li Markham, Ontario, Canada *Chief Financial Officer*	Senior Auditor for UHY McGovern Hurley LLP from September 2011 to August 2016; External Reporting Manager for Sears Canada Inc. from August 2016 to November 2017; Chief Financial Officer, Branson Ltd. since November 2017 to present; CFO of the Corporation since December 2017 to present; CFO of Aura Health Inc. from December 2017 to present, CFO of Rigel Technologies Inc. from December 2017 to present, and CFO of	Officer since December 21, 2017	250,000	0.23%

Name, Municipality and Country of Residence and Position Held	Principal Occupation for the Past Five Years[(2)]	Director/Officer of Lineage Since	Lineage Common Shares Beneficially Owned or Controlled[(1)] (Fully-Diluted)	Percentage of Issued and Outstanding Lineage Common Shares (Fully-Diluted)
	Quinsam since March 2018 to present			
Aurelio Useche (3)(4)(5) Verdun, Quebec, Canada *Director*	President of ZVS Investments since January 2007 to present; Chief Executive Officer of Relevium Technologies from November 2016 to present	October 2014	735,000	0.68%
Hamish Sutherland (3)(4)(5) Toronto, Ontario, Canada *Director*	President and CEO of White Sheep Corp. from November 2016 to present. COO of Bedrocan Canada Ltd / Bedrocan Cannabis Corp. from November 2013 to August 2016.	December 12, 2016	939,600	0.87%
Robert Schwartz (4)(5) Toronto, Ontario, Canada *Director*	Principal at Wa-Lin Trading from 2002 to present.	December 12, 2016	2,675,000	2.47%
David Posner (3) Toronto, Ontario, Canada *Director*	Chairman of NHII. President and CEO of NHII from July 2014 to July 2016. Acquisitions Manager for Stonegate Properties Inc. from 2012 to 2014. Managing Director of Sales and Acquisitions for Maria Chiquita Development Company from 2005 to 2012.	December 12, 2016	2,625,000	2.42%
Adam Szweras Toronto, Ontario, Canada *Director and Corporate Secretary*	Chairman, Foundation Markets Inc. Partner, Fogler, Rubinoff LLP.	Officer since December 20, 2011	2,378,781	2.19%

Notes:

(1) The information as to principal occupation and Lineage Common Shares beneficially owned or over which control or direction is exercised is not within the knowledge of Lineage, and therefore has been furnished by each director individually.
(2) Held by SMN Corp., a company where Mr. Bilodeau is a beneficiary.
(3) Member of the Audit Committee of the Lineage Board.
(4) Member of the Compensation and Nomination Committee of the Lineage Board.
(5) Member of the Corporate Governance Committee of the Lineage Board.
(6) Not including 1,719,013 Lineage Common Shares held by FMICA. FMICA is indirectly owned by The Goomie Trust, a family trust of which the children of Mr. Szweras are the beneficiaries. Mr. Szweras does not make voting decisions for the shares

owned by The Goomie Trust.

Directors and Officers of FLRish

The following table sets forth the name of all current directors and officers of FLRish, their municipalities of residence, their current positions with FLRish, their principal occupations during the past five years and the number and percentage of FLRish Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement:

Name, Municipality and Country of Residence and Position Held	Principal Occupation for the Past Five Years	Director/Officer of FLRish Since	FLRish Shares Beneficially Owned or Controlled (Fully Diluted)	Percentage of Issued and Outstanding FLRish Shares (Fully Diluted)
Matthew K. Hawkins Dallas, Texas, USA *Director*	Investment Manager	May 2018	891,565	2.63%
Stephen DeAngelo Oakland, California, USA *Director and Chairman Emeritus*	Retail Executive	December 2015	3,811,466	11.23%
Andrew Berman Mill Valley, California, USA *Director and Chief Executive Officer*	Executive	March 2018	735,000	2.17%
Tracy Geldert Sonoma, California, USA *Director*	Retail Executive	July 2017	750,546	2.21%
Willie Brown Jr. San Francisco, California, USA *Director*	Attorney at Law	December 2015	44,000	0.13%
John H. “Jack” Nichols Oakland, California, USA *General Counsel and Secretary*	Attorney at Law	November 2015	500,000	1.47%

Directors and Officers of Resulting Issuer

The following table lists the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer, their positions and offices to be held with the Resulting Issuer, and their principal occupations during the past five (5) years and the number of securities of the Corporation that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each.

Name, State and Country of Residence and Proposed Position with the Resulting Issuer	Principal Occupation for the Past Five Years	Subordinated Voting Shares Beneficially Ownerd or Controlled (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Minimum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering with full exercise of Over-Allotment Option (Fully-Diluted)
Andrew Berman(3) Mill Valley, California, USA *Director, President and Chief Executive Officer*	Executive	750,546	1.41%	1.15%	1.07%
Keith Li Markham, Ontario, Canada *Chief Financial Officer*	Senior Auditor for UHY McGovern Hurley LLP from September 2011 to August 2016; External Reporting Manager for Sears Canada Inc. from August 2016 to November 2017; Chief Financial Officer, Branson Ltd. since November 2017 to present; CFO of the Corporation since December 2017 to present; CFO of Aura Health Inc. from December 2017 to present, CFO of Rigel Technologies Inc. from December 2017 to present, and CFO of Quinsam since March 2018 to present	5,978	0.01%	0.01%	0.01%
John H. "Jack" Nichols Oakland, California, USA	Attorney	745,000	1.40%	1.14%	1.06%

Name, State and Country of Residence and Proposed Position with the Resulting Issuer	Principal Occupation for the Past Five Years	Subordinated Voting Shares Beneficially Ownerd or Controlled (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Minimum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering with full exercise of Over-Allotment Option (Fully-Diluted)
General Counsel and Corporate Secretary					
Peter Bilodeau(2), (3)* Windsor, Ontario, Canada *Non-Executive Chairman*	President and CEO of the Corporation from October 1, 2015 until April 24, 2017. Reappointed as President and CEO on April 9, 2018 to present. President of Wingold Energy Corp. from March 2017 to present. President of FMICA from April 2017 to present. CEO of FMI from May 2017 to present. President of Quinsam from December 2017 to present.	39,596	0.07%	0.06%	0.06%
Adam Szweras(1) Toronto, Ontario, Canada *Director*	Chairman, Foundation Markets Inc., Partner, Fogler, Rubinoff LLP	68,932	0.13%	0.11%	0.10%
Matthew K. Hawkins(1)*(2) Dallas, Texas, USA *Director*	Investment Manager	891,565	1.68%	1.37%	1.27%
Tracy Geldert(1), (2)* Sonoma, California, USA *Director*	Retail Executive	44,000	0.08%	0.07%	0.06%
Menna Tesfatsion San Ramon, California, USA *Chief Operating Officer*	Entrepreneur, Executive, Attorney	660,848	1.24%	1.01%	0.94%
Sherri Altshuler(3) Toronto, Ontario, Canada *Director*	Partner, Aird & Berlis LLP	Nil	0.00%	0.00%	0.00%

Name, State and Country of Residence and Proposed Position with the Resulting Issuer	Principal Occupation for the Past Five Years	Subordinated Voting Shares Beneficially Ownerd or Controlled (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Minimum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering (Fully-Diluted)	Percentage of Issued and Outstanding Subordinate Voting Shares Assuming Maximum Offering with full exercise of Over-Allotment Option (Fully-Diluted)
Nayir Felix Munoz Castro Valley, California, USA *Director*	Human Resources Executive	400,000	0.75%	0.61%	0.57%

Notes:

(1) Proposed member of the audit committee.
(2) Proposed member of the compensation committee.
(3) Proposed member of the governance and nominating committee.
* Denotes committee chair.

All of the directors of the Resulting Issuer will be appointed to hold office until the next annual general meeting of shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated.

Upon completion of the Transaction, all promoters, directors, officers and Insiders, as a group, will beneficially own, directly or indirectly, the following shares of the Resulting Issuer: (i) on a non-diluted basis, 1,123,593 Subordinate Voting Shares, representing 24.59% (Minimum Offering); 9.10% (Maximum Offering; or 6.83% (Maximum Offering with full exercise of the Over-Allotment Option); and (ii) on a fully-diluted basis, 21,743,624 Subordinate Voting Shares, representing 30.30% (Minimum Offering); 24.64% (Maximum Offering); or 22.93% (Maximum Offering with full exercise of the Over-Allotment Option).

<u>Board Committees</u>

The Corporation currently has an audit committee and compensation committee. A brief description of each committee is set out below. Following the completion of the Transaction, the directors of the Resulting Issuer intend to establish such committees of the board as determined to be appropriate in addition to the audit committee and compensation committee.

<u>Audit Committee</u>

The audit committee assists the Corporation's Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee reviews the financial reports and other financial information provided by the Corporation to regulatory authorities and its shareholder and reviews the Corporation's system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

The members of the audit committee after completion of the Transaction include the following three directors. Also indicated is whether they are "independent" and "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").

Name of Member	Independent(1)	Financially Literate)(2)
Matthew K. Hawkins (Chair)	Yes	Yes

Tracy Geldert	Yes	Yes
Adam Szweras	No	Yes

Notes:

(1) A member of the audit committee is independent if he or she has no direct or indirect 'material relationship' with the Corporation. A material relationship is a relationship which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Corporation, such as the President or Secretary, is deemed to have a material relationship with the Corporation. Adam Szweras will not be independent as he is the corporate secretary of Lineage and will have been an officer of the Resulting Issuer within the past three years. In addition, Mr. Szweras is the Chairman of FMICA and FMI.FMICA and FMI are 100% owned indirectly through FFHI by The Goomie Trust, a family trust for the benefit of Mr. Szweras' children. FMI and FMI have provided services to Lineage and FLRish and have received and will receive compensation from Lineage, FLRish and the Resulting Issuer. Lastly, Mr. Szweras is a partner at Fogler, Rubinoff LLP which provides legal services to Lineage and has been paid and will be paid legal fees. Please see Item 20- *Interest of Management and Others in Material Transactions* for further details.

(2) A member of the audit committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Compensation Committee

The compensation committee assists the Corporation's Board of Directors in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Corporation's executive officers. In addition, the compensation committee is charged with reviewing the employee stock option plan and proposing changes thereto, approving any awards of options under the employee stock option plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to the Corporation's executive officers. The Compensation Committee is also responsible for reviewing, approving and reporting to the Corporation's Board annually (or more frequently as required) on the Corporation's succession plans for its executive officers.

The proposed members of the compensation committee after completion of the Transaction will include the following three directors: Tracy Geldert, Matthew K. Hawkins and Peter Bilodeau, with Ms. Geldert as chair.

Governance and Nominating Committee

The Resulting Issuer is expected to have a corporate governance and nominating committee. The overall purpose of the corporate governance and nominating committee will be to develop and monitor the Resulting Issuer's approach to: (i) matters of governance, and (ii) the nomination of directors to the board of the Resulting Issuer. The proposed members of the corporate governance and nominating committee after completion of the Transaction will include the following three directors: Peter Bilodeau, Andrew Berman and Sherri Altshuler, with Mr. Bilodeau as chair.

13.5. Other Directorships

In the past 10 years, the proposed directors and officers of the Resulting Issuer have held officer or director positions with the following issuers other than Lineage:

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Adam Szweras	Petrolympic Ltd.	TSXV	Secretary	June 2008	Present
	Mahdia Gold Corp.	CSE	Director, Secretary	April 2016	June 2018

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
	Canada Pacific Canada Corp.	NEX	Director, Secretary	May 2010	August 2014
	SustainCo Inc.	TSXV	Director	March 2017	Present
	Sagittarius Capital Corp.	TSXV	Corporate Secretary, Director	August 2009	Present
	The Tinley Beverage Company Inc.	CSE	Director, Corporate Secretary	December 2010	September 2016
	Aurora Cannabis Inc.	CSE	Director	August 2015	Present
	Nutritional High International Inc.	CSE	Corporate Secretary, Director	July 7, 2014	Present
	Quinsam Capital Corp.	CSE	Director	October 24, 2017	Present
Peter Bilodeau	Quinsam Capital Corp.	CSE	Director and President	December 2017	Present
Keith Li	Rigel Technologies Inc.	TSXV	Chief Financial Officer	December 2017	Present
	Aura Health Inc.	CSE	Chief Financial Officer	December 2017	Present
	Quinsam Capital Corp.	CSE	Chief Financial Officer	March 2018	Present

13.6 – 13.9 <u>Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies</u>

Other than disclosed below, no proposed director or officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other company that, while the person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was the subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Except as disclosed below, no proposed director or officer of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Adam Szweras was a director and Secretary of Bassett Media Group Corp. ("**Bassett**"), a TSXV-listed company, until March 16, 2010. Bassett has been subject to a cease trade order since June 16, 2010 for failing to file financial statements, management's discussion and analysis and certification of disclosure.

Adam Szweras was appointed as a director for Mahdia Gold Corp.'s ("**Mahdia**") on April 14, 2016. Mahdia was a Canadian Securities Exchange listed company until February 4, 2016. Mahdia has been subject to a cease trade order since March 13, 2015, due to not filing its financial statements and management's discussion and analysis pursuant to NI 51-102.

Onco Petroleum Inc. ("**Onco**") was listed on the CNQ exchange (now CSE). Peter Bilodeau was CEO and director of Onco from September 2008 to April 2011. In July 2008, prior to Mr. Bilodeau assuming his posts with Onco, a cease trade order was issued against Onco for failing to file financial statements. On March 30, 2010, a receiver was appointed by the Ontario Superior Court and the company's assets sold off. Energex Petroleum Inc., founded by Mr. Bilodeau, filed for bankruptcy in June 2016. Due to his heavy investment in the above companies, Mr. Bilodeau filed a creditor proposal in June 2016. It was discharged in February 2017.

13.10 Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Corporation and Resulting Issuer also holding positions as directors or officers of other companies. Some of the individuals that are directors and officers of the Corporation, and are proposed to be directors and officers of the Resulting Issuer, have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Corporation or Resulting Issuer, as applicable, will be in direct competition with the Corporation or Resulting Issuer, as applicable.

Such conflicts of interest include without limitation those that may exist or arise (i) as a result of the respective positions held by Peter Bilodeau and Adam Szweras at Lineage, the Resulting Issuer, FMICA, FMI, Quinsam, NHII and Fogler Rubinoff LLP, as applicable; (ii) as a result of Mr. Andrew Berman's membership interest in a Hawaii based cannabis operator; (iii) as a result of Mr. Menna Tesfatsion, proposed COO of the Resulting Issuer, having certain related party transaction with Agris Farms and an interest in a Sacramento cannabis operator.

Peter Bilodeau is currently the Chief Executive Officer, President and a director of Lineage, and is expected to be the Chairman of the Resulting Issuer. Mr. Bilodeau is also currently the President and Chief Executive Officer of FMICA and FMI, advisors to Lineage and FLRish receiving various compensation in connection with the Transaction, and the President and Director of Quinsam, a merchant bank entitled to received Lineage Common Shares in connection with the Transaction.

Adam Szweras is the Corporate Secretary of Lineage, and is expected to be a director of the Resulting Issuer. Mr. Szweras is also the Chairman of FMICA and FMI. Mr. Szweras owns a 15% interest in Branson Ltd. a company providing services to Lineage. The Goomie Trust, a family trust for the benefit of the children of Szweras is the sole shareholder of FFHC which owns a 100% interest in FMICA and FMI and a 60% interest in Branson Ltd. and a 49% interest in its predecessor Branson Corporate Services Inc. Mr.

Szweras is also a partner at Fogler Rubinoff LLP, legal counsel to Lineage. Mr. Szweras is the Corporate Secretary and a director of NHII, and a director of Quinsam.

A conflict of interest may also exist with respect to FMICA in connection with the Airfield Acquisition. FMICA entered into an advisory agreement with Airfield whereby FMICA would assist Airfield with capital markets advisory services including assisting Airfield with either a potential going public transaction or sale of Airfield. FMICA has also agreed to provide certain advisory and consulting services to FLRish in connection with the Transaction, and has acknowledged its conflict of interest in acting as the advisor to Airfield in connection with the Airfield Acquisition. FLRish's board of directors has been made aware of this conflict and has taken the necessary steps to ensure there are limited conflicts of interest as they relate both to the purchase price negotiation and the undertaking of due diligence.

Andrew Berman is a Member of Maui Wellness Group ("**MWG**") dba Maui Grown Therapies, a Hawaii LLC. Mr. Berman's MWG membership interest is less than 2%. MWG owns one of eight vertical medical cannabis licenses issued by the State of Hawaii (one of the two issued for Maui County, Hawaii). Mr. Berman is a Managing Member of Glass City Alternatives, LLC ("**GCA**"), an Ohio LLC. Mr. Berman's GCA membership interest is less than 26%. GCA owns and operates one medical cannabis retail license from the State of Ohio.

In addition to the foregoing, Mr. Keith Li is the Chief Financial Officer of Lineage and is the proposed Chief Financial Officer of the Resulting Issuer. Mr. Li is an employee of Branson and is providing the services of Chief Financial Officer to Lineage and is expected to be providing the services to the Resulting Issuer through Branson under the Branson Agreement. Mr. Li also acts as CFO of other listed issuers and potential issuers in the cannabis industry through Branson. Mr. Li's relationship with Branson and his services as an officer of other companies in the cannabis industry may lead to conflicts of interest and the Resulting Issuer will evaluate such relationships and whether they may continue after the Transaction. See Item 15.1 - *Lineage Executive Compensation - Termination and Change of Control Benefits and Management Contracts – Branson Agreement.*

Lastly, Mr. Menna Tesfatsion, the proposed COO of the Resulting Issuer, is a member, director and officer of Agris Farms. Lineage, Agris Farms, Mr. Tesfatsion and other members of Agris Farms have entered into a definitive agreement for Lineage to acquire all membership interests in Agris Farms. Agris Farms leases its property from BKB Agricultural, LLC ("**BKB**"), a company owned by Mr. Tesfatsion, pursuant to a lease agreement dated September 30, 2016. The initial term of the lease is for five years ending September 29, 2021, renewable for 10 years at the option of the tenant. Further, under the definitive agreement for the Agris Farms Acquisition, Agris Farms will be granted an option to purchase the real property leased from BKB within three years of completion of the Agris Farms Acquisition at a purchase price to be determined based on the average of a valuation from the vendor and a valuation from the purchaser. Agris Farms will also be granted a right of first refusal to purchase the real property if BKB is to sell the real property within three years of completion of the Agris Farms Acquisition. In addition, Mr. Tesfatsion will be a member, director and officer of the leaseholder of a lease for a cannabis cultivation project in Sacramento which will be spun out of Agris Farms on or prior to the completion of the Agris Farms Acquisition. If the Resulting Issuer acquires Agris Farms, Mr. Tesfatsion being the owner of BKB (landlord of Agris Farms, counter party of the real estate purchase option and right of first refusal to be granted to Agris Farms) and having an interest in the Sacramento cannabis project, and an officer of the Resulting Issuer, may lead to conflicts of interest.

Conflicts, if any, will be subject to the procedures and remedies provided under OBCA.

See Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions, Item 3.1 – General Development of the Business – FLRish – Pipeline Acquisitions*, Item 3.1 – *General Development of the Business – The Transaction*, Item 20 – *Interest of Management and Others in Material Transactions and Item 23 – Interest of Experts* for further details.

13.11 Management of the Resulting Issuer

Brief descriptions of the biographies for all of the officers and directors of the Resulting Issuer are set out below:

Andrew Berman, Director, President and Chief Executive Officer – 59: Andrew Berman is a versatile executive with a unique background and skill set. Mr. Berman has a B.A. from the University of Michigan and a J.D. from the University of Miami School of Law. He clerked for two federal judges and practiced law for eleven years in San Francisco before joining the Business Affairs group at America Online. After AOL, Mr. Berman became CEO of AirLink Communications, Inc., an early-stage wireless data company located in Hayward whose success culminated with a merger into Sierra Wireless, Inc. Staying aboard as the publicly traded company's Senior Vice President & General Manager, Berman led all facets of Sierra Wireless's AirLink business unit, including its North American growth and international market expansion. Berman then joined Cricket Media, Inc., a public company in the education media sector, as Chief of Staff to the CEO. Most recently, Mr. Berman was an Entrepreneur in Residence at ZG Ventures, LLC, a prominent venture capital firm based in Washington, DC.Mr. Berman also has extensive experience in local government relations and community building, having served on the Mill Valley City Council and as Mayor and Vice Mayor of Mill Valley. His public service also includes serving as Chair of the Marin County Telecommunications Agency, on local Planning Commissions and on County Emergency Medical Boards, through which he developed expertise in land-use and public safety issues at the local level.

Keith Li, Chief Financial Officer – 39: Keith Li is a finance professional with over ten years of corporate accounting and audit experience. He specializes in providing management advisory services, accounting and regulatory compliance services to companies in a number of industries. Mr. Li began his career in the public accounting sector as an auditor at UHY McGovern Hurley LLP. Prior to joining Lineage, Mr. Li held senior level positions for several publicly-held and private companies. Mr. Li is a Chartered Professional Accountant (CPA, CA) and holds a Bachelor of Commerce from McGill University.

Jack Nichols, General Counsel and Corporate Secretary – 55: Jack Nichols has more than 20 years of exceptional experience in law enforcement, civil and criminal litigation, international business development and legal compliance. Mr. Nichols enjoyed a highly successful career in law enforcement that started as a patrolman with the NYPD. He subsequently served as a detective with the Maine Attorney General's Office where he investigated anti-trust violations and complex white-collar crimes. In 2006, Mr. Nichols obtained his JD from Northeastern University School of Law. Upon graduation, he became Assistant Attorney General in the US Virgin Islands where he was cross-designated to litigate both civil and criminal matters, with an emphasis on public corruption and violent crime prosecutions. Mr. Nichols later served as Special Assistant U.S. Attorney in the District of Maine, prosecuting firearms and narcotics violations in Federal court. Most recently, he has worked for a private company as in-house counsel, where he has assisted government agencies in the formulation and enforcement of medical marijuana regulations and has lent his expertise to private companies in the cannabis industry as they navigate the challenging world of legal compliance.

Menna Tesfatsion, Chief Operating Officer – 40: Menna Tesfatsion is the Chief Operating Officer of FLRish, overseeing and managing all operations across all business units of FLRish. Mr. Tesfatsion is also the founder, President and Chief Executive Officer of Agris Farms, and has extensive experience in all aspects of cannabis cultivation and wholesale sales and well as the development and permitting of cannabis cultivation, processing, and manufacturing facilities. Mr. Tesfatsion has also founded, launched, and operated three other successful, high-growth companies. Mr. Tesfatsion is well versed in all California cannabis rules and regulations. He also has extensive legal experience, having practiced law in two of the largest law firms in the world after graduating from New York University School of Law.

Peter Bilodeau, Non-Executive Chairman – 59: Peter Bilodeau has been the Chief Executive Officer of FMI from May 2017, and President of FMICA since April 2017. Since December 2017, Mr. Bilodeau has served as a director of Quinsam. Mr. Bilodeau also currently serves as the Chief Executive Officer and as a director of Lineage. Mr. Bilodeau has also been the President of Wingold Energy Corp. since March 2017.

Mr. Bilodeau has numerous business interests in various sectors, including oil and gas, corporate finance, real estate investments, management and financial consulting, the retail sign business, and the alternative financial services. Prior to launching his entrepreneurial career, Mr. Bilodeau worked for one of Canada's major chartered banks quickly advancing to the senior management ranks. He is a former real estate appraiser with extensive experience in real property valuation. Mr. Bilodeau has an MBA with a specialty in Financial Services, from Dalhousie University, Halifax, Nova Scotia, Canada. See also Item 20 – *Interest of Management and Others in Material Transactions.*

Adam Szweras, Director – 48: Adam Szweras, is a securities law partner with Fogler, Rubinoff LLP in Toronto and Chairman of FMI. His law and banking practices focuses on financings and going public transactions. Mr. Szweras represents several mid-market public companies and assists companies in listing on Canadian exchanges. He also represents brokerage firms as legal counsel and has helped numerous clients with their M&A and cross border transactions. He is a director of several public companies including Aurora Cannabis Inc. and is co-Chair of the board of directors of NHII. See also Item 20 – *Interest of Management and Others in Material Transactions.*

Matt Hawkins, Director – 49: Matt Hawkins is the founder and managing principal of Cresco Capital Partners, LLC ("**Cresco**"), a private equity firm focused specifically on investing in the legalized cannabis industry. Since its inception in the summer of 2015, Cresco has made 15 investments out of its first fund and is currently raising this fund, Fund II, and 6 investments have been made to date from it. Collectively, as of the fall of 2018, over $40 million has been deployed in the cannabis industry by Cresco and affiliates since 2015. Prior to the founding of Cresco, he was a partner and President of a private real estate investment company which acquired REO and NPL from banks and financial institutions across the country, with particular interest in multifamily residential and self-storage assets. The company completed more than 55 bank-direct acquisitions, deploying over $500 million of capital since Q4 2008. In 2013 alone, the company bought close to 10,000 Class B and Class C value-add multifamily units across the Sunbelt of the United States. At the end of 2013, Matt and his partners sold their interest. Prior to this, Matt was a Principal/ Co-founder of San Jacinto Partners, a fund focused on the bulk acquisition of single family residential assets and the Managing General Partner of Adjacent Capital, L.P., a private equity/specialty lending fund. He was earlier affiliated with Treadstone Partners, L.L.C., a distressed debt and equity fund. He has an extensive background in both turnaround management and private equity. Prior to joining Treadstone and forming Adjacent Capital and San Jacinto Partners, was associated with Hull & Associates, a regional turnaround management firm. Matt is a graduate of The University of Texas at Austin.

Tracy Geldert, Director – 51: Tracy is currently Chief Operator for London-based Ten Group which provides lifestyle management and concierge services for a multitude of businesses focused on the mass affluent. Tracy joined Ten to lead the rapid development of the Americas - to realize the potential, raise the bar for service and to bring the region to a self-sustaining financial position. The region has demonstrated success in securing multiple blue chip contracts and last year completed its IPO listing on LSE. Before Ten Group, Tracy was in multiple senior executive roles for Francis Ford Coppola Presents including COO and CEO where she was responsible for growing the business to over 500 employees and for developing a highly profitable business over a ten-year period. The Coppola business portfolio included wineries, restaurants, and resorts. Prior to joining Coppola Tracy spent 13 years with Gap, Inc., including implementing brand strategy across 16 states and managing territories up to $400million in annual store sales. She participated in the launches of new businesses including babyGap, GapBody and GapMaternity. She emerged as a key player joining the corporate global marketing team where she helped to oversee implementation of the store experience for 1800 Gap brand stores throughout the U.S., Canada, Europe and Japan.

Nayir Felix Munoz, Director – 41: Nayir is an HR professional with twelve years in the cannabis industry, fifteen years of management experience, and 22 years of retail experience. Over the last twelve years she has worked on the forefront of the cannabis industry with California-based Harborside, a leader in the industry. With Harborside she worked to create an unmatched cannabis consumer experience and developed one of the most highly regarded cannabis teams in the industry. Her most recent position was Chief Administrative Officer for FLRish. Prior to Harborside, Ms. Munoz worked for Nordstrom for twelve years in sales, training, and information systems management. Ms. Munoz holds a Bachelor's of Science degree in Business Administration, with an emphasis in Computer Information Systems from San Francisco State University. In 2011, she earned her Professional in Human Resources (PHR) Certification.

Sherri Altshuler, Director – 42: Sherri Altshuler is a partner at Aird & Berlis LLP and a member of the firm's Capital Markets, Corporate/Commercial and Cannabis Groups. Ms. Altshuler's practice focuses on public and private financings, go-public transactions (initial public offerings, reverse takeovers and qualifying transactions), listing on the TSX, TSXV and CSE, mergers, acquisitions, continuous disclosure, corporate governance and ongoing corporate matters. In 2017, Ms. Altshuler was recognized as one of Lexpert magazine's Rising Stars: Canada's Leading Lawyers Under 40 and, in 2018, was recognized as a leading lawyer to watch in the area of Corporate Finance & Securities. She is a member of the Ontario Securities Commission Small and Medium Enterprises Committee and a member of the TSX Venture Exchange Ontario Advisory Committee. Ms. Altshuler also instructs Corporate Finance at Windsor Law School.

Members of management are expected to devote full time to the business of the Resulting Issuer and will enter into a non-competition or non-disclosure agreement with the Resulting Issuer upon closing of the Transaction.

13.12 Advisory Board

The Resulting Issuer intends to establish, prior to completion of the Transaction, an Advisory Board consisting of leading experts in relevant fields of interest to Harborside. Inaugural members of the Advisory Board are expected to be as follows:

Steve DeAngelo, Chairman of Advisory Board: Mr. DeAngelo, the Chairman Emeritus of FLRish, has four decades of activism and advocacy in the cannabis reform movement. His creation of a model medical cannabis dispensary and lifelong cannabis activism coupled with his extensive knowledge in this arena has made him one of the strongest voices in the cannabis and hemp industries. Steve's career has focused on the intersection of advocacy and entrepreneurship and creating profitable ventures that simultaneously advance social goals. In addition to Harborside, these ventures include Ecolution, SteepHill Laboratory, Cannasure and The ArcView Group.

Willie Brown Jr.: Willie Brown served 8 years as Mayor of San Francisco City & County, 31 years as the Speaker of the California State Assembly, the legislative branch of the California State Government, with almost 15 years as Speaker at the head of that body with 80 state elected officials. In the 1970s he authored the first legislative act decriminalizing possession of cannabis in small quantities. His tenure for the Speaker of the House spanned twice as long as any other individual in the history of the state of California. As Mayor he established the foundation for the biotech research center known as Mission Bay, which houses 5 million square feet of lab space for research and development involving all forms of pharmaceutical products. In his capacity as Mayor, he orchestrated the restoration of the San Francisco waterfront, numerous public structures and guided the voter approval of the building of one of the most famous baseball parks in the nation. Willie Brown's combined 40 years of public office holding was highlighted by being the only person ever elected to head a legislative body in California when his party did not hold a majority membership.

14. CAPITALIZATION

14.1 Issued Capital

To the best knowledge of the Corporation, the following table sets out the number of the Resulting Issuer Shares available in the public float and freely-tradeable float on a diluted and non-diluted basis (assuming completion of the Minimum Offering):

	Number of Securities (non-diluted)[1]	Number of Securities (fully diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	7,427,899	51,559,167	100%	100%
Held by Related Persons or employees of the Corporation or Related Person of the Corporation, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation upon exercise or conversion of other securities held) (B)	576,900	21,666,085	-	-
Total Public Float (A-B)	**6,850,998**	**29,893,081**	**92.2%**	**58.0%**
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)[2]	694,719	25,102,810		
Total Tradeable Float (A-C)	**6,733,180**	**26,456,357**	**90.6%**	**51.3%**

Notes:

(1) Includes Subordinate Voting Shares held by Canadian holders of shares of FLRish Series B Common Stock, who will convert all Multiple Voting Shares received in exchange for those shares of FLRish Series B Common Stock held by them into Subordinate Voting Shares immediately upon closing of the Transaction and prior to listing of the Resulting Issuer Shares on the CSE. This assumes completion of the Minimum Offering.

(2) In addition, FLRish has agreed to use commercially reasonable efforts to obtain lock-up agreements from each holder of 100,000 FLRish Shares or more, which lock-up shall be for a period of 15 days following closing of the Transaction.

Public Securityholders (Registered)[1]

Class of Security

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	980	9,251
100 - 499 securities	65	12,910
500 - 999 securities	19	14,417
1,000 -1,999 securities	16	22,797
2,000 - 2,999 securities	21	52,322
3,000 - 3,999 securities	4	14,505
4,000 -4,999 securities	11	49,385
5,000 or more securities	71	3,175,338

Total	**1,187**	**3,350,926**

[(1)] Excluding the Concurrent Offering.

Public Securityholders (Beneficial)[(1)]

Class of Security

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	863	31,417
100 - 499 securities	522	127,961
500 - 999 securities	143	105,231
1,000 -1,999 securities	90	125,039
2,000 - 2,999 securities	46	111,343
3,000 - 3,999 securities	17	58,598
4,000 - 4,999 securities	15	68,267
5,000 or more securities	49	774,412
Total	**1,745**	**1,402,267**

[(1)] Excluding the Concurrent Offering.

Non-Public Securityholders (Registered)[(1)]

Class of Security

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	1	37
100 –499 securities	-	-
500 – 999 securities	-	-
1,000 –1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	1	3,012
4,000 – 4,999 securities	1	4,136
5,000 or more securities	20	2,950,489
Total	**23**	**2,957,674**

[(1)] Excluding the Concurrent Offering.

14.2 Convertible/Exchangeable Securities

To the best knowledge of the Corporation, the following table sets out the number of convertible securities of the Resulting Issuer on closing of the Transaction:

Designation of Securities	Number of Underlying Resulting Issuer Shares (Minimum Offering)	Number of Underlying Resulting Issuer Shares (Maximum Offering)	Number of Underlying Resulting Issuer Shares (Full Exercise of Over-Allotment Option)	Percentage (Minimum Offering)	Percentage (Maximum Offering)	Percentage (Full Exercise of Over-Allotment Option)
Lineage Warrants(1)	557,357	557,357	557,357	1.0%	0.9%	0.8%
Lineage Convertible Debts(2)	72,696	72,696	72,696	0.1%	0.1%	0.1%
Lineage Options(3)	134,232	134,232	134,232	0.3%	0.2%	0.2%
Series B Special Shares(4)	275,325	275,325	275,325	0.5%	0.4%	0.4%
Series C Special Shares(5)	336,508	336,508	336,508	0.6%	0.5%	0.5%
Shares issuable to Vendors in LUX Acquisition(6)	430,315	430,315	430,315	0.8%	0.7%	0.6%
Shares issuable to finder for LUX Acquisition(7)	20,046	20,046	20,046	0.0%	0.0%	0.0%
Shares issuable to Vendors in Agris Farms Acquisition(8)	606,958	606,958	606,958	1.1%	0.9%	0.9%
Convertible Debt for assumption of Agris Farms Acquisition(9)	251,087	251,087	251,087	0.5%	0.4%	0.4%
Warrants issuable for Agris Farms Acquisition(9)	221,920	221,920	221,920	0.4%	0.3%	0.3%
FMICA M&A Consulting Fees for Acquisitions(10)	140,778	140,778	140,778	0.3%	0.2%	0.2%
Total Lineage Convertible Securities	**3,047,223**	**3,047,223**	**3,047,223**	**5.7%**	**4.7%**	**4.3%**
FLRish Convertible Debentures(11)	4,209,003	4,209,003	4,209,003	7.9%	6.5%	6.0%
FLRish Existing Shareholders (MVS expressed in SVS terms)(12)	27,051,706	27,051,706	27,051,706	51.0%	41.5%	38.6%
FLRish Options(13)	6,526,378	6,526,378	6,526,378	12.3%	10.0%	9.3%
CD Unit Warrants(14)	3,989,124	3,989,124	3,989,124	7.5%	6.1%	5.7%
Broker Warrants(15)	168,303	168,303	168,303	0.3%	0.3%	0.2%
SR Warrants(16)	645,162	4,516,129	5,193,549	1.2%	6.9%	7.4%
SR Broker Warrants(17)	90,323	632,258	727,097	0.2%	1.0%	1.0%
Total FLRish Convertible Securities(18)	**42,679,998**	**47,092,901**	**47,865,159**	**80.5%**	**72.2%**	**68.3%**
Total Convertible Securities	**45,727,221**	**50,140,123**	**50,912,382**	**86.3%**	**76.9%**	**72.6%**
Total Fully Diluted Capital	**53,014,341**	**65,207,889**	**70,087,567**	**100.0%**	**100.0%**	**100.0%**

Notes:

(1) Comprised of the following Lineage Warrants. See Item 10.1 – *Description of Securities – Lineage – Lineage Warrants* for more details.

Issue Date	Expiry Date	Exercise Price	Number of Warrants	Exercise Price (Post-Consolidation)	Number of Warrants (Post-Consolidation)
Warrants					
May 12, 2017	May 12, 2019	$0.325	10,000,000	$13.59	239,130
January 24, 2018	January 24, 2020	$0.325	4,740,000	$13.59	113,348
February 8, 2018	February 8, 2020	$0.325	3,442,065	$13.59	82,310
February 14, 2018	February 14, 2020	$0.325	3,047,600	$13.59	72,877
February 16, 2018	February 16, 2020	$0.325	900,000	$13.59	21,522
Warrants Subtotal			**22,129,665**		**529,187**
Broker/Finder Warrants					
May 12, 2017	May 12, 2019	$0.250	400,000	$10.45	9,565
January 24, 2018	January 24, 2020	$0.250	379,200	$10.45	9,068
February 8, 2018	February 8, 2020	$0.250	251,600	$10.45	6,017
February 14, 2018	February 14, 2020	$0.250	75,200	$10.45	1,798
February 16, 2018	February 16, 2020	$0.250	72,000	$10.45	1,722
Broker/Finder Warrants Subtotal			**1,178,000**		**28,170**
TOTAL			**23,607,665**		**557,357**

(2) Comprised of the Terpene Station Convertible Notes with an aggregate principal amount of US$800,000 (C$1,064,000) fully maturing August 29, 2021 convertible into 3,040,000 Lineage Common Shares at C$0.35 per share (or 72,696 on a post-Consolidation basis at C$14.64 per share). See Item 10.1 – *Description of the Securities – Lineage – Lineage Convertible Debt* for details of the Terpene Station Convertible Notes.

(3) Comprised of 5,613,333 (134,231 on a post-Consolidation basis) options been granted pursuant to the Lineage Option Plan as below:

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercise Price (Post-Consolidation)	Number of Options (Post-Consolidation)
December 12, 2016	December 12, 2021	$0.10	85,000	$4.18	2,033
May 24, 2018	May 24, 2023	$0.25	2,675,000	$10.45	63,967
May 24, 2018	May 24, 2023	$0.25	20,000	$10.45	478
August 3, 2018	August 3, 2023	$0.17	2,833,333	$6.90	67,754
TOTAL			**5,613,333**		**134,232**

(4) 11,513,581 (275,325 on a post-Consolidation basis) Class B Special Shares to be issued to Lineage shareholders as stock dividend, convertible into Subordinate Voting Shares upon completion of the LUX Acquisition, or to be redeemed by the Resulting Issuer at nominal value if the LUX Acquisition is not completed after 6 months following the completion of the Transaction. See Item See Item 10.1 – *Description of the Securities – Lineage – Special Shares* for details of the Class B Special Shares.

(5) 14,072,155 (336,508 on a post-Consolidation basis) Class C Special Shares to be issued to Lineage shareholders as stock dividend, convertible into Subordinate Voting Shares upon completion of the Agris Farms Acquisition, or to be redeemed by the Resulting Issuer at nominal value if the Agris Farms Acquisition is not completed after 6 months following the completion of the Transaction. See Item See Item 10.1 – *Description of the Securities – Lineage – Special Shares* for details of the Class C Special Shares.

(6) A portion of the purchase price for the LUX Acquisition of US$3,450,000 is payable by the issuance of 412,500 Subordinate Voting Shares at a price of US$8.36 per Subordinate Voting Share (or 4,125 Multiple Voting Shares at a price of US$836.00 per Multiple Voting Share, or a combination of both). The terms of the LUX Acquisition also provide for a bonus payment equal to C$412,500 to the vendors, payable by the issuance of 59,783 Subordinate Voting Shares to the vendors at a price of C$6.90 per Subordinate Voting Share (or Multiple Voting Shares at C$690.00 per Multiple Voting Share). The vendors also agreed to make a payment to FMICA of US$351,000, payable by vendors directing 41,967 of the vendor's 412,500 Subordinate Voting Shares to be issued to FMI. After giving effect to the bonus payment and the payment to FMICA, the vendors in the LUX Acquisition will retain 430,315 Subordinate Voting Shares (assuming vendors are issued no Multiple Voting Shares). See Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions – LUX Acquisition.*

(7) Pursuant to the terms of the LUX Acquisition, the Resulting Issuer will make the following payments to arm's length third party finders: i) an aggregate US$100,000, comprised of US$50,000 paid in cash and US$50,000 (C$66,500) payable by the issuance

of 9,638 Subordinate Voting Shares of the capital of the Resulting Issuer (or 96 Multiple Voting Shares at C$690.00 per Multiple Voting Share, or a combination of both); and ii) US$54,000 (C$71,820) payable by the issuance of 10,409 Subordinate Voting Shares in the capital of the Resulting Issuer at a deemed price of $6.90 per common share (or 104 Multiple Voting Shares at C$690.00 per Multiple Voting Share, or a comination of both). As a result, an aggregate of 20,046 Subordinate Voting Shares are issuable to finders in connection with the LUX Acquisition. See Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions – LUX Acquisition.*

(8) For the Agris Farms Acquisition: (i) US$2,148,880 (C$2,858,010) is payable by the issuance of 414,204 Subordinate Voting Shares at a price of C$6.90 per Subordinate Voting Share (or 4,142 Multiple Voting Shares at C$690.00 per Multiple Voting Share, or a combination of both); (ii) the assumption of liabilities in a US$1,000,000 (C$1,330,000) of a shareholder loan to be replaced by a Resulting Issuer convertible note convertible into 192,754 Subordinate Voting Shares at a conversion price of C$6.90 per Subordinate Voting Shares (or into 1,927 Multiple Voting Shares at a conversion price of C$690.00 per Multiple Voting Share). As a result, an aggregate of 606,958 Subordinate Voting Shares are issuable to finders in connection with the Agris Farms Acquisition.

(9) The Resulting Issuer will grant a put option in favor of the holder of a US$1,500,000 subordinated note issued by Agris Farms whereby the note holder may choose to convert such subordinate note into (subject to acceleration of conversion if the 30 day volume weighted average price of the Subordinate Voting Shares exceeds C$9.62 per share) 251,087 units of one Subordinate Voting Share and one half a warrant at a conversion price of C$7.945 per unit with the warrant exercisable into a Subordinate Voting Share at an exercise price of C$10.45 (or 2,510 units of one Multiple Voting Share and one half a warrant at a conversion price of C$794.50 per unit with the warrant exercisable into a Multiple Voting Share at an exercise price of C$1,045.00). In addition, pursuant to the terms of the Agris Farms Acquisition, upon closing of the Agris Farms Acquisition, Lineage will issue 96,377 warrants to purchase Subsordinate Voting Shares with a warrant exercise price of C$10.45 (or 9,637 warrants to purchase Multiple Voting Shares with a warrant exercise price of C$1,045.00) to the vendors in the Agris Farm Acquisition.

(10) Consulting fees payable to FMICA by Resulting Issuer as below. Please see Interest Item 20 – *Interest of Management and Other Material Transactions* for more details.

Transaction	**Transaction Value (C$)**	**M&A Fee (%)**	**M&A Fee (C$)**	**Effective Share Price (C$)**	**Subordinate Voting Shares Issuable**
Lux	$ 7,182,000	6.5%	$ 466,830.00	$6.90	67,657
Terpene Station	$ 1,596,000	4.0%	$ 63,840.00	$6.90	9,252
Walnut Oaks (Yolo)	$ 8,778,000	4.0%	$ 351,120.00	$6.90	50,887
Walnut Oaks (Sacramento)	$ 3,192,000	4.0%	$ 127,680.00	$6.90	18,504
Herbiculture	N/A	4.0%	$ 29,640.00	$7.95	3,730
Total Issuable					**140,778**

(11) The principal amount of each FLRish Convertible Debenture is convertible into FLRish Underlying Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date and automatically upon completion of a Going Public Transaction at a conversion price equal to the lower of: (a) C$6.90; or (b) a 10% discount to FLRish's share price at listing for a financing equal to C$5,000,000 or greater, subject to adjustment in certain customary events.

(12) See Item 10.1 – *Description of Securities – Resulting Issuer – Multiple Voting Shares.* The Multiple Voting Shares each have a restricted right to convert into 100 Subordinate Voting Shares, subject to adjustments for certain customary corporate changes.

(13) See Item 9 – *Options to Purchase Securities – FLRish Options.* Represents an aggregate of 6,556,378 FLRish Options comprised of 769,000 contingent FLRish Options and 5,787,378 FLRish Options granted pursuant to the FLRish Option Plan:

Grant Date	**Expiry Date**	**FLRish Options**	**Exercise Price (US$)**
August 1, 2016	August 1, 2026	1,327,500	$0.05
August 1, 2016	August 1, 2021	1,193,878	$0.055
August 1, 2016	August 1, 2026	1,037,125	$0.05
July 26, 2017	July 26, 2027	20,000	$0.05
July 27, 2017	July 27, 2027	287,500	$0.05
July 27, 2017	July 27, 2027	300,000	$0.05
December 4, 2017	December 4, 2027	27,375	$4.15
April, 25, 2018	April 25, 2028	240,000	$4.15
April, 25, 2018	April 25, 2028	874,583	$4.15
April, 25, 2018	April 25, 2028	364,417	$4.15
May 15, 2018	May 15, 2029	35,000	$4.15
September 12, 2018	September 12, 2028	50,000	$4.15
November 7, 2018	November 7, 2028	10,000	$5.31
November 29, 2018	November 29, 2028	20,000	$5.31
TOTAL:		**5,787,378**	

(14) Each CD Unit Warrant is exercisable into one FLRish Underlying Share at a price of C$8.60 per share until 5:00 p.m. (Toronto time) on October 30, 2020, subject to adjustment and/or acceleration in certain circumstances.

(15) Each Broker Warrant is exercisable into one FLRish Underlying Share at an exercise price of C$6.90 per share until the earlier of 60 months from December 3, 2018 and 24 months from the completion of a Going Public Transaction, subject to adjustment and/or acceleration in certain circumstances.

(16) Each SR Warrant will entitle the holder thereof to purchase one SR Share at an exercise price of C$9.70 per share for a period of two years following the closing date of the Concurrent Offering, subject to adjustment in certain circumstances. Each SR Warrant will immediately be exchanged on closing of the Transaction for one warrant to purchase one Resulting Issuer Share on equivalent terms.

(17) Each SR Broker Warrant will be exercisable to purchase one SR Share at the Concurrent Offering Price for a period of 24 months following the closing of the Concurrent Offering. The SR Broker Warrants will be exercisable only following the satisfaction of the Escrow Release Conditions. Each SR Broker Warrant will immediately be exchanged on closing of the Transaction for an equivalent broker warrant of the Resulting Issuer.

(18) See Item 10.1 – *Description of Securities – FLRish* and Item 3.1 – *General Development of the Business – The Transaction.* All convertible securities of FLRish outstanding immediately before close of the Transaction, whether vested or unvested, will, automatically and without any required action on the part of any holder or beneficiary thereof, become exercisable for the kind and number of securities or property that the holder of the convertible securities would have been entitled to receive on the date of closing of Transaction, if, on the record date or the effective date thereof, as the case may be, the holder of such convertible security had been the registered holder of the number of such FLRish Shares issuable upon the exercise of the applicable convertible security then held, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in such convertible security.

14.3 <u>Other Listed Securities</u>

Not applicable.

15. EXECUTIVE COMPENSATION

15.1 <u>Lineage Executive Compensation</u>

Compensation Discussion and Analysis

The Compensation Discussion and Analysis section sets out the objectives of the Corporation's executive compensation arrangements, the Corporation's executive compensation philosophy and the application of this philosophy to the Corporation's executive compensation arrangements. It also provides an analysis of the compensation design, and the decisions that the Board made in fiscal 2018 with respect to the Named Executive Officers. When determining the compensation arrangements for the Named Executive Officers, the Compensation and Nominating Committee considers the objectives of: (i) retaining an executive critical to the success of the Corporation and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and Corporation's shareholders; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. See the "Compensation Governance" below for more discussion on the Compensation and Nominating Committee.

For the purposes of this Listing Statement, "Named Executive Officer" is defined by Form 51-102F6 *Statement of Executive Compensation* to mean (i) each of the Chief Executive Officer and the Chief Financial Officer of the Corporation, (ii) the Corporation's the next most highly compensated executive officer, other than the Chief Executive Officer and the Chief Financial Officer, who was serving as executive officer at the end of the most recently completed financial year and whose total compensation exceeds $150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year end of the Corporation.

During the fiscal year ended January 31, 2018, the Named Executive Officers of the Corporation consisted of: Peter Bilodeau, the current President and CEO; David Drutz, the former President and CEO; Keith Li, the current CFO; and Amy Stephenson, the former CFO.

Benchmarking

The Compensation and Nominating Committee considers a variety of factors when designing and establishing, reviewing and making recommendations for executive compensation arrangements for all executive officers of the Corporation. The Board typically does not position executive pay to reflect a single percentile within the industry for each executive. Rather, in determining the compensation level for each executive, the Compensation and Nominating Committee looks at factors such as the relative complexity of the executive's role within the organization, the executive's performance and potential for future advancement, the compensation paid by the other companies in medicinal and recreational marijuana industry, and pay equity considerations.

Elements of Named Executive Officer Compensation

The compensation paid to Named Executive Officers in any year consists of two primary components:

1. base salary; and

2. long-term incentives in the form of stock options granted under the Lineage Option Plan.

The key features of these two primary components of compensation are discussed below:

1. <u>Base Salary</u>

Base salary recognizes the value of an individual to the Corporation based on his or her role, skill, performance, contributions, leadership and potential. It is critical in attracting and retaining executive talent in the markets in which Corporation competes for talent. Base salaries for the Named Executive Officers are reviewed annually. Any change in base salary of a Named Executive Officer is generally determined by an assessment of such executive's performance, a consideration of competitive compensation levels in companies similar to the Corporation (in particular, companies in the marijuana industry) and a review of the performance of the Corporation as a whole and the role such executive officer played in such corporate performance.

2. <u>Stock Option Awards</u>

The Corporation provides long-term incentives to Named Executive Officers in the form of stock options as part of its overall executive compensation strategy. The Compensation and Nominating Committee believes that stock option grants serve the Corporation's executive compensation philosophy in several ways: firstly, it helps attract, retain, and motivate talent; secondly, it aligns the interests of the Named Executive Officers with those of the shareholders by linking a specific portion of the officer's total pay opportunity to the share price; and finally, it provides long-term accountability for Named Executive Officers.

Compensation of Directors

The Compensation and Nominating Committee makes recommendations to the Board as to the appropriate level of remuneration for the directors and officers of the Corporation. The Board as a whole makes the final determination in respect of compensation matters. Remuneration is assessed and determined by taking into account such factors as the size of the Corporation and the level of compensation earned by directors and officers of companies of comparable size and industry.

Other than with respect to director fees paid to the Chairman of the Board, the only arrangements the Corporation has, standard or otherwise, pursuant to which directors are compensated by the Corporation for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts for the financial year ended January 31, 2018, are through the issuance of stock options. The number of options to be granted from time to time is determined by the Board in its discretion. There was no additional compensation paid to the Chairman.

Risks Associated with Compensation Policies and Practices

The oversight and administration of the Corporation's executive compensation program requires the Compensation and Nominating Committee to consider risks associated with the Corporation's compensation policies and practices. Potential risks associated with compensation policies and compensation awards are considered at annual reviews and also throughout the year whenever it is deemed necessary by the Compensation and Nominating Committee.

The Corporation's executive compensation policies and practices are intended to align management incentives with the long-term interests of the Corporation and its shareholders. In each case, the Corporation seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) financial controls that provide limits and authorities in areas such as capital and operating expenditures to mitigate risk taking that could affect compensation, (ii) balancing base salary and variable compensation elements and (iii) spreading compensation across short and long-term programs.

Compensation Governance

The Compensation and Nominating Committee intends to conduct a yearly review of directors' compensation having regard to various reports on current trends in directors' compensation and compensation data for directors of reporting issuers of comparative size to the Corporation. Except for director's fees paid to the Chairman of the Board, director compensation is currently limited to the grant of stock options pursuant to the Option Plan. It is anticipated that the Chief Executive Officer will review the compensation of officers of the Corporation for the prior year and in comparison to industry standards via information disclosed publicly and obtained through copies of surveys. The Board expects that the Chief Executive Officer will make recommendations on compensation to the Compensation and Nominating Committee. The Compensation and Nominating Committee will review and make suggestions with respect to compensation proposals, and then makes a recommendation to the Board.

The Compensation and Nominating Committee is currently comprised of Aurelio Useche, Hamish Sutherland and Peter Bilodeau. Messrs. Useche and Sutherland are considered independent.

The Compensation and Nominating Committee's responsibility is to formulate and make recommendations to the directors of the Corporation in respect of compensation issues relating to directors and officers of the Corporation. Without limiting the generality of the foregoing, the Compensation and Nominating Committee has the following duties:

1. to review the compensation philosophy and remuneration policy for officers of the Corporation and to recommend to the directors of the Corporation changes to improve the Corporation's ability to recruit, retain and motivate officers;

2. to review and recommend to the Board the retainer and fees, if any, to be paid to directors of the Corporation;

3. to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those corporate goals and objectives, and determine (or make recommendations to the directors of the Corporation with respect to) the Chief Executive Officer's compensation level based on such evaluation;

4. to recommend to the directors of the Corporation with respect to executive officer (other than the Chief Executive Officer) and director compensation including reviewing management's recommendations for proposed stock options and other incentive-compensation plans and equity-based plans, if any, for non-CEO officer and director compensation and make recommendations in respect thereof to the directors of the

Corporation;

5. to administer the Option Plan approved by the directors of the Corporation in accordance with its terms including the recommendation to the directors of the Corporation of the grant of stock options in accordance with the terms thereof; and

6. to determine and recommend for the approval of the directors of the Corporation bonuses to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate. Pursuant to the mandate and terms of reference of the Compensation and Nominating Committee, meetings of the Committee are to take place at least once per year and at such other times as the Chair of the Compensation and Nominating Committee may determine.

Director and Named Executive Officer Compensation

The following table sets forth compensation for each Named Executive Officer and director of the Corporation for the two most recently completed financial years, excluding compensation securities.

Table of compensation excluding compensation securities							
Name and position	**Year Ended January 31**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Peter Bilodeau President, CEO & Director(1)	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil
Keith Li CFO(2)	2018	$5,000	Nil	Nil	Nil	Nil	$5,000
	2017	Nil	Nil	Nil	Nil	Nil	Nil
Aurelio Useche Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil
Hamish Sutherland Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil
Robert Schwartz Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil
David Posner Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil
David Drutz Former President & CEO and former Director(3)	2018	$64,000	Nil	Nil	Nil	Nil	$64,000
	2017	Nil	Nil	Nil	Nil	Nil	Nil
Amy Stephenson Former CFO(4)	2018	$33,000	Nil	Nil	Nil	Nil	$33,000
	2017	$9,000	Nil	Nil	Nil	Nil	$9,000
Yannis Banks Former Director(5)	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Mr. Bilodeau was appointed as President and CEO on October 1, 2015, and resigned on April 24, 2017. He was reappointed on

April 9, 2018.

(2) Mr. Li was appointed as CFO on December 11, 2017. Mr. Li is paid by Branson Ltd. pursuant to the Branson Agreement. See "*Executive Compensation – Termination and Change of Control Benefits and Management Contracts.*"

(3) Mr. Drutz was appointed as President and CEO on April 24, 2017 and was terminated as an officer and resigned as a director on April 9, 2018. Pursuant to his termination agreement, Mr. Drutz received an all-in lump sum payment of $67,500 after the year end which amount is not included in the table.

(4) Ms. Stephenson was appointed CFO on May 12, 2016, and resigned on December 11, 2017. Ms. Stephenson was paid by Branson Corporate Services Inc. pursuant to the Branson Agreement. See "*Executive Compensation – Termination and Change of Control Benefits and Management Contracts.*"

(5) Mr. Banks resigned from the Board on February 17, 2017.

Exercise of Compensation Securities by Directors and NEOs

No Named Executive Officer or director of the Corporation exercised any options or other compensation securities during the financial year ended January 31, 2018:

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each Named Executive Officer and director by Corporation, pursuant to the Option Plan, for services provided or to be provided, directly or indirectly, to the Corporation in the most recently completed financial year:

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant (6) ($)**	**Closing price of security or underlying security at year end (6) ($)**	**Expiry date**
Peter Bilodeau President, CEO & Director	Stock option(2)	125,000 4.29%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021
Keith Li CFO	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Aurelio Useche Director	Stock option(2)	85,000 2.92%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021
Hamish Sutherland Director	Stock option(1)	250,000 8.58%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021
Robert Schwartz Director	Stock option(1)	415,000 14.24%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021
David Posner Director	Stock option(1)	415,000 14.24%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021
David Drutz Former President, CEO and former Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Amy Stephenson Former CFO	Stock option(1)	85,000(3) 2.92%	December 12, 2016	$0.10	N/A	N/A	March 11, 2018(4)
Yannis Banks Former Director	Stock option(2)	85,000(4) 2.92%	December 12, 2016	$0.10	N/A	N/A	December 12, 2021

Notes:

(1) Vesting Schedule: 1/6th of such options vest immediately and 1/6th of such options vest every 6 months until fully vested.
(2) No vesting schedule attached to these options, and all options vested on grant.
(3) These options expired on March 11, 2018 being 90th day after Ms. Stephenson's resignation in accordance with the terms of the Option Plan.
(4) These options expired on May 18, 2017 being 90th day after Mr. Bank's resignation in accordance with the terms of the Option Plan.
(5) As of January 31, 2018, the Corporation was not listed on any Exchange.

Stock Option Plans and Other Incentive Plans

Lineage Option Plan

The following information is intended to be a brief description of the Lineage Option Plan and is qualified in its entirety by the full text of the Lineage Option Plan, which is available for review by any Shareholder online on the Corporation's SEDAR profile at www.sedar.com and at the offices of the Corporation's solicitors, Fogler, Rubinoff LLP at 77 King St. W., Suite 3000, Toronto, Ontario, M5K 1G8:

- The purpose of the Lineage Option Plan is to authorize the grant to eligible persons (as such term is defined in the Lineage Option Plan) of Lineage Options to purchase Lineage Common Shares and thus benefit the Corporation by enabling it to attract, retain and motivate eligible persons by providing them with the opportunity, through stock options, to acquire an increased proprietary interest in the Corporation.

- The Lineage Option Plan is administered by the Board or a committee established by the Board for that purpose.

- The number of Lineage Common Shares reserved for issuance cannot exceed 10% of the issued and outstanding Lineage Common Shares at the time of the grant.

- The total number of Lineage Common Shares which may be reserved for issuance to any one individual under the Lineage Option Plan within any one year period cannot exceed 5% of the issued and outstanding Lineage Common Shares at the time of the grant.

- The maximum number of Lineage Common Shares which may be reserved for issuance to insiders under the Lineage Option Plan, any other employee stock option plans or options for services, shall be 10% of the Lineage Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

- The maximum number of Lineage Common Shares which may be issued to insiders under the Lineage Option Plan, together with any other previously established or proposed share compensation arrangements, within any one year period shall be 10% of the outstanding issue. The maximum number of Lineage Common Shares which may be issued to any one insider and his or her associates under the Lineage Option Plan, together with any other previously established or proposed share compensation arrangements, within a one year period shall be 5% of the Lineage Common Shares outstanding at the time of the grant (on a non-diluted basis).

- The maximum number of Lineage Options which may be granted to any one consultant under the Lineage Option Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the Lineage Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

- The maximum number of Lineage Options which may be granted to investor relations persons under the Lineage Option Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed 2% of the Lineage Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

- The purchase price for the Lineage Common Shares under each Lineage Option shall be determined by the Board on the basis of the market price, where "market price" shall mean the prior trading day closing price of the Lineage Common Shares on any stock exchange on which the Lineage Common Shares are listed or last trading price on the prior trading day on any dealing network where the Lineage Common Shares trade, and where there is no such closing price or trade on the prior trading day, "market price" shall mean the average of the daily high and low board lot trading prices of the Lineage Common Shares on any stock exchange on which the Lineage Common Shares are listed or dealing network on which the Lineage Common Shares trade for the five immediately preceding trading days. In the event the Lineage Common Shares are listed on the CSE, the price may be the market price less any discounts from the market price allowed by the CSE. The approval of disinterested shareholders will be required for any reduction in the price of a previously granted stock option to an insider of the Corporation.

- The Lineage Options are exercisable for a period of up to five years from the date of grant.

- If any optionee who is a service provider ceases to be an eligible person of the Corporation for any reason (whether or not for cause) the optionee may, but only within the period ending within 90 days (unless such period is extended by the Board or the committee, as applicable, and approval is obtained from the stock exchange on which the shares of the Corporation trade), or 30 days if the eligible person is an investor relations person (unless such period is extended by the Board or the committee, as applicable, and approval is obtained from the stock exchange on which the Lineage Common Shares trade), next succeeding such cessation and in no event after the expiry date of the optionee's option, exercise the optionee's Lineage Option unless such period is extended.

- In the event of the death of an optionee during the currency of the optionee's option, the Lineage Option theretofore granted to the optionee shall be exercisable within the period of one year next succeeding the optionee's death (unless such period is extended by the Board or the committee, as applicable, and approval is obtained from the stock exchange on which the Lineage Common Shares trade).

- Lineage Options issued under the Lineage Option Plan may vest at the discretion of the Board, provided that, if required by any stock exchange on which the Lineage Common Shares trade, stock options issued to investor relations consultants must vest in stages over not less than 12 months with no more than one quarter of the stock options vesting in any three month period.

- Lineage Options granted under the Lineage Option Plan are non-assignable and non-transferable.

- The Board or committee, as applicable, may at any time amend or terminate the Lineage Option Plan, but where amended, such amendment is subject to regulatory approval.

- Upon exercise of a Lineage Option, the optionee shall, upon notification of the amount due and prior to or concurrently with the delivery of the certificates representing the shares, pay to the Corporation amounts necessary to satisfy applicable withholding tax requirements or shall otherwise make arrangements satisfactory to the Corporation for such requirements. In order to implement this provision, the Corporation or any related corporation has the right to retain and withhold from any payment of cash or Lineage Common Shares under the Option Plan the amount of taxes required to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Corporation may require an optionee receiving Lineage Common Shares to reimburse the Corporation for any such taxes required to be withheld by the Corporation and withhold any distribution to the optionee in whole or in part until the Corporation is so reimbursed. In lieu thereof, the Corporation has the right to withhold from any cash amount due or to become due from the Corporation to the optionee an amount equal to such taxes. The Corporation may also retain and withhold or the optionee may elect, subject to approval by the Corporation at its sole discretion, to have the Corporation retain and withhold a number of Lineage Common Shares having a market value not less than the amount of such taxes required to be withheld by the Corporation to reimburse the Corporation for any such taxes and cancel (in whole or in part) any such shares so withheld.

The Lineage Option Plan will be terminated on completion of the Transaction, to be replaced by the Equity Incentive Plan to be adopted by the shareholders of the Corporation at the Lineage shareholders' meeting scheduled for May 16, 2019.

Equity Incentive Plan

At the Lineage shareholders' meeting scheduled for May 16, 2019, shareholders of the Corporation will be asked to approve the Equity Incentive Plan, the principal terms of which are described below. It is expected that the Equity Incentive Plan will be adopted by the Resulting Issuer on closing of the Transaction. Please see Item 15.3 – *Executive Compensation – Resulting Issuer Executive Compensation* for details.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets out, as of the end of the Corporation's fiscal year ended January 31, 2018, all required information with respect to compensation plans under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of Lineage Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Lineage Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	2,915,000	$0.10	924,711
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	**2,915,000**	**$0.10**	**924,711**

Termination and Change of Control Benefits and Management Contracts

As at January 31, 2018, there were no written contracts or agreements that provide for payment to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in a Named Executive Officer's responsibilities other than below.

Drutz Agreement

On April 24, 2017, the Corporation entered into a consulting agreement with David Drutz (the "**Drutz Agreement**") to perform the services of Chief Executive Officer of the Corporation and its affiliates. Mr. Drutz was paid a base fee of C$8,000 per month, plus a range of bonuses based on milestones, subject to annual review by the Board. Under the terms of the Drutz Agreement, Mr. Drutz has the option to terminate the Drutz Agreement by giving the Corporation no less than ninety (90) days' notice The Corporation may terminate the Drutz Agreement by giving no less than ninety (90) days prior written notice (or paying the equivalent consulting fees in lieu thereof). On April 9, 2018, the Board terminated the Drutz Agreement. The Corporation and Mr. Drutz reached a mutual agreement to terminate the Drutz Agreement whereby Mr. Drutz agreed to release the Corporation from its obligations to Mr. Drutz against a payment of C$67,500 from the Corporation.

Branson Agreement

On April 1, 2015, the Corporation entered into an agreement with Branson Inc. to provide Chief Financial Officer, controllership, bookkeeping, administrative, and general and back office services for a monthly fee of C$5,000 (the “**Old Branson Agreement**”). On September 1, 2017, the Corporation and Branson Inc. amended the Old Branson Agreement to increase the monthly fee to US$8,000. Keith Li, the current Chief Financial Officers of the Corporation, is employed by Branson Inc. which provides Mr. Li with compensation. Ms. Stephenson, the former Chief Financial Officer of the Corporation, was also employed by Branson Inc., which provided Ms. Stephenson with compensation. On December 1, 2018, Branson Inc. and the Corporation terminated the Old Branson Agreement, and the Corporation and Branson Ltd. entered into an agreement (the "**New Branson Agreement**") with the same terms as in the Old Branson Agreement, and Mr. Keith Li continues to serve as the Chief Financial Officer of the Corporation under the New Branson Agreement.

Emtra Agreement

On April 17, 2018, Lineage entered into a consulting agreement with Emtra Business Services Inc. (“**Emtra**”), a company controlled by Mr. Peter Bilodeau, to provide Chief Executive Officer services to Lineage through Mr. Bilodeau for a monthly fee of C$10,000 as well as a bonus to be determined at the discretion of the Board of Directors of Lineage. On December 12, 2018, Lineage and Emtra entered into an agreement pursuant to which the bonus component of the Emtra consulting agreement was determined to be a cash payment of $100,000 payable to Peter Bilodeau, the Chief Executive Officer, subject to certain milestones being met and the bonus amount applied to the exercise of options held by the CEO.

15.2 FLRish Executive Compensation

For the purposes of this Listing Statement, “Named Executive Officer” is defined by Form 51-102F6 Statement of Executive Compensation to mean (i) each of the Chief Executive Officer and the Chief Financial Officer of FLRish, (ii) FLRish's next most highly compensated executive officer, other than the Chief Executive Officer and the Chief Financial Officer, who was serving as executive officer at the end of the most recently completed financial year and whose total compensation exceeds $150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of FLRish at the end of the most recently completed financial year end of FLRish.

During the fiscal year ended December 31, 2017, the Named Executive Officers of FLRish consisted of: Steve DeAngelo, a former CEO; Jeff Brothers, a former CEO; Andrea Goldman, the former CFO, Derrek Higgins, CFO and John “Jack” Nichols, General Counsel and Secretary.

Director and Named Executive Officer Compensation

The following table sets forth compensation for each Named Executive Officer and director of FLRish for the two most recently completed financial years, excluding compensation securities.

Table of compensation excluding compensation securities							
Name and position	**Year Ended January 31**	**Salary, consulting fee, retainer or commission (US$)**	**Bonus (US$)**	**Committee or meeting fees (US$)**	**Value of perquisites (US$)**	**Value of all other compensation (US$)**	**Total compensation (US$)**
Stephen DeAngelo Director, Chairman Emeritus and former CEO(1)	2017	346,285.67	-	-	63,765.15	-	410,050.82
	2016	161,169.18	40,800.00	-	-	-	161,16.18
Jeff Brothers Former Director and Former CEO(2)	2017	167,940.48	-	-	-	-	-
	2016	-	-	-	-	-	-
Andrea Goldman Former CFO(3)	2017	214,560.86	-	-	-	155,000	369,560.86
	2016	300,660.33	-	-	-	-	300,660.33
Derrek Higgins(4) Director and CFO	2017	233,011.42	-	-	-	-	233,011.42
	2016	-	-	-	-	-	-
Jack Nichols General Counsel and Secretary(5)	2017	293,476.53	-	-	1,672.70	-	315,149.23
	2016	290,716.95	-	-	-	-	429,716.95
Willie Brown Jr. Director	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Tracy Geldert(6) Director	2017	-	-	-	-	-	-

Notes:

(1) Mr. Steve DeAngelo served as CEO of FLRish from April 26, 2017 to March 12, 2018.
(2) Mr. Jeff Brothers served as CEO of FLRish from November 24, 2015 to April 17, 2017.
(3) Ms. Andrea Goldman served as CFO of FLRish from November 24, 2015 to February 7, 2017.
(4) Mr. Derrek Higgins served as CFO of FLRish from March 13, 2017 to December 14, 2018.
(5) Mr. Nichols received $139,000 in 2016 for payment of wages and reimbursable expenses arising in calendar year 2015.
(6) Ms. Geldert joined as a director of FLRish in July 2017.

Exercise of Compensation Securities by Directors and NEOs

No Named Executive Officer or director of FLRish exercised any FLRish Options or other compensation securities during the financial year ended December 31, 2017, except as follows:

Name and Position	Type of Compensation Security	Number of Underlying Securities exercised	Exercise price per security (US$)	Date of Exercise	Closing price per security on date of exercise	Difference between exercise price and closing price on date of exercise	Total value on exercise
Stephen DeAngelo Director, Chairman Emeritus and former CEO	Options	556,122	$0.055	August 22, 2017	N/A	N/A	N/A
Jack Nichols General Counsel and Secretary	Options	312,500	$0.05	August 22, 2017	N/A	N/A	N/A

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each Named Executive Officer and director by FLRish, pursuant to the FLRish Option Plan, for services provided or to be provided, directly or indirectly, to the Corporation in the most recently completed financial year:

Compensation Securities							
Name and Position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Deemed price of security or underlying security on date of grant (2) ($)**	**Deemed price of security or underlying security at year end (3) ($)**	**Expiry date**
Tracy Geldert Director	Stock option	20,000 Series A Common (0.18%)	July 26, 2017	$0.05	$0.05	Unvalued	July 26, 2027
Derrek Higgins Oakland, California, USA	Stock option	375,000 Series A Common (3.41%)	March 27, 2017	$0.05	$0.05	Unvalued	March 27, 2027

Notes:

(1) Grant is contingent on the close of a Qualified Acquisition or Qualified Public Offering as those terms are defined in the FLRish Amended and Restated Articles of Incorporation. The Transaction will meet such definition.

(2) Based on the FLRish internal valuation or the price of equities sold prior to such grant.

See Item 9 – *Options to Purchase Securities – FLRish Options*.

Stock Option Plans and Other Incentive Plans

FLRish Option Plan

The following information is intended to be a brief description of the FLRish Option Plan and is qualified in its entirety by the full text of the FLRish Option Plan. The FLRish Option Plan will be terminated upon completion of the Transaction.

Purpose

The purpose of the FLRish Option Plan is to enable FLRish to attract and retain the types of employees, consultants and directors who will contribute to FLRish's long range success, to provide incentives that align the interests of employees, consultants and directors with those of the stockholders of FLRish, and to promote the success of FLRish's business.

The FLRish Option Plan permits the grant of (i) nonqualified stock options and incentive stock options (collectively, "**FLRish Options**"), (ii) restricted stock, and (iii) restricted stock units (referred to in this section collectively as "**Awards**", as more fully described below).

Eligibility

The persons eligible to receive Awards under the FLRish Option Plan are the employees, consultants and directors of FLRish. The FLRish Option Plan is administered by a committee of one or more individuals who are members of the board of directors of FLRish, or officers of FLRish appointed by the board of directors to administer the FLRish Option Plan in accordance with its provisions (the "**FLRish Committee**").

A maximum of 9,500,000 shares of Common Stock of FLRish may be issued under the FLRish Option Plan, provided that no more than 9,500,000 shares of Common Stock may be granted as incentive stock options. Any shares subject to an Award under the FLRish Option Plan that are cancelled, forfeited or expire unexercised, either in full or in part, shall again become available for issuance FLRish Option Plan.

In the event of any changes in the capital structure of FLRish by reason of any stock or extraordinary cash dividend, stock split, reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange or other relevant change in capitalization occurring after the applicable grant date of an Award, the exercise price of FLRish Options and the maximum number of shares of Common Stock subject to Awards will be equitably adjusted or substituted to the extent necessary to preserve the economic intent of such Award. The FLRish Committee shall ensure that any adjustments made will not constitute a modification, extension or renewal of the FLRish Options within the meaning of the applicable provisions of the U.S. Tax Code.

Awards

FLRish Options

FLRish Options granted under the FLRish Plan include options intended to qualify as incentive stock options within the meaning of Section 422 of the U.S. Tax Code, and non-qualified stock options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the U.S. Tax Code. Subject to the terms of the FLRish Option Plan, the FLRish Options are exercisable after the expiration of 10 years from the date of a grant or as otherwise determined by the FLRish Committee. The exercise price for FLRish Options shall be not less than the fair market value of the underlying shares of Common Stock of FLRish, unless such FLRish Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the U.S. Tax Code. Each FLRish Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. Each FLRish Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the FLRish Committee may deem appropriate. The vesting provisions of individual FLRish Options may vary. No FLRish Option may be exercised for a fraction of a share of Common Stock of FLRish. The FLRish Committee may, but is not required to, provide for an acceleration of vesting and exercisability in the terms of any award agreement upon the occurrence of a specified event.

Restricted Stock

Restricted stock is Common Stock of FLRish that may be granted under the FLRish Option Plan, subject to certain specified restrictions (including, without limitation, a requirement that the eligible participant provide continuous service for a specified period of time). An Award of restricted stock granted under the FLRish Option Plan is subject to the conditions of the FLRish Option Plan and applicable award agreement. The FLRish Committee may require that restricted stock be held by FLRish or in escrow rather than delivered to the eligible participant pending the release of the applicable restrictions, in which case the FLRish Committee may require the participant to execute and deliver to the FLRish an escrow agreement and appropriate blank stock power. Subject to the restrictions set forth in the Award, the participant generally shall have the rights and privileges of a shareholder as to such restricted stock, including the right to vote such restricted stock and the right to receive dividends.

Restricted Stock Units

Restricted stock units may be granted in reference to a specified number of shares of FLRish Common Stock and entitle the holder to receive, on achievement of specific performance goals established by the committee, after a period of continued service with FLRish or its affiliates or any combination of the above as set forth in the applicable award agreement, one share of FLRish Common Stock for each such share covered by the restricted stock unit; provided that, the FLRish Committee may elect to pay cash, or part cash and part shares of Common Stock in lieu of delivering only shares of Common Stock. The FLRish Committee may, in its discretion, accelerate the vesting of restricted stock units. Unless otherwise provided in the applicable award agreement or as may be determined by the FLRish Committee, upon a participant's termination of service with FLRish, the unvested portion of the restricted stock units will be forfeited.

General

The FLRish Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the FLRish Option Plan shall be non-transferable except by will or by the laws of descent and distribution. No participant has any rights as a shareholder with respect to shares of Common Stock covered by FLRish Options, restricted stock, or restricted stock units unless and until such Awards are settled in shares of Common Stock.

No FLRish Option is exercisable, no shares of Common Stock of FLRish shall be issued, no certificates for shares of Common Stock of FLRish shall be delivered and no payment shall be made under the FLRish Option Plan except in compliance with all applicable laws.

Termination and Change of Control Benefits and Management Contracts

As at December 31, 2017, there were no written contracts or agreements that provide for payment to a Named Executive Officer of FLRish at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of FLRish or a change in a Named Executive Officer's responsibilities other than as set out below.

Under the Derrek Higgins employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and one year of severance that includes base salary and equivalent health benefits.

Under the Andrew Berman employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and one year of severance that includes base salary and equivalent health benefits.

Under the John Nichols employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and one year of severance that includes base salary and equivalent health benefits.

Under the Stephen DeAngelo employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and two year of severance that includes base salary and equivalent health benefits.

15.3 Resulting Issuer Executive Compensation

The following table sets forth the anticipated compensation to be paid or awarded to the directors and the following executive officers of the Resulting Issuer: (i) the President and Chief Executive Officer; (ii) the Chief Financial Officer; (iii) the next most highly compensated individual whose total compensation will be more than $150,000; and (iv) Directors. For the purpose of this Listing Statement, the Named Executive Officers of the Resulting Issuer are expected to be: Andrew Berman, CEO; Keith Li, CFO; and John H. "Jack" Nichols, General Counsel and Secretary.

Table of Proposed Compensation Excluding Compensation Securities

Name and Position	**Year**	**Salary, Consulting Fee, Retainer or Commission (US$)**	**Bonus (US$)**	**Committee or meeting fees (US$)**	**Value of Perquisites (US$)**	**Value of all other compensation (US$)**	**Total compensation (US$)**
Andrew Berman Director, President and CEO	2019	$310,000	$200,000[1]	Nil	Nil	Nil	$510,000
Keith Li Chief Financial Officer	2019	$220,000	TBD	Nil	Nil	Nil	$220,000
John H. "Jack" Nichols General Counsel & Corporate Secretary	2019	$310,000	$150,000[1]	Nil	Nil	Nil	$460,000
Adam Szweras Director	2019	$36,000	Nil	Nil	Nil	Nil	$36,000
Peter Bilodeau Non-Executive Chairman	2019	$50,000	Nil	Nil	Nil	Nil	$50,000
Tracy Geldert Director	2019	$36,000	Nil	Nil	Nil	Nil	$36,000
Matthew K. Hawkins Director	2019	$36,000	Nil	Nil	Nil	Nil	$36,000
Sherri Altshuler Director	2019	$36,000	Nil	Nil	Nil	Nil	$36,000
Nayir Munoz Director	2019	$106,000	Nil	Nil	Nil	Nil	$106,000

Notes:

(1) Contractual bonus on the closing of the Transaction.

Stock Option Plans and Other Incentive Plans

At the Lineage shareholders' meeting scheduled for May 16, 2019, shareholders of the Corporation will be asked to approve the Equity Incentive Plan. The Resulting Issuer is expected to adopt the Equity Incentive Plan on closing of the Transaction. The principal features of the Equity Incentive Plan are summarized below.

Purpose

The purpose of the Resulting Issuer Equity Incentive Plan will be to enable the Resulting Issuer and its affiliated companies to: (i) attract and retain employees, officers, consultants, advisors and directors capable of assuring the future success of the Resulting Issuer; (ii) to offer such persons incentives to put forth maximum efforts; and (iii) to compensate such persons through various share and cash-based arrangements and provide them with opportunities for share ownership, thereby aligning the interests of such persons and the Resulting Issuer's shareholders.

The Resulting Issuer Equity Incentive Plan permits the granting of (i) share options ("**Options**"), (ii) restricted share awards ("**Restricted Shares**"), (iii) restricted share units ("**RSUs**"), (iv) share appreciation rights ("**SARs**"), (v) performance compensation awards ("**Performance Awards**"), (vi) dividend equivalents ("**Dividend Equivalents**") and (vii) other share based awards (collectively, the "**Awards**"), as more fully described below.

All rights and obligations noted below of the Compensation and Nominating Committee in respect of the Resulting Issuer Equity Incentive Plan may, at any time and from time to time, be exercised by the Resulting Issuer's Board of Directors.

Eligibility

Any of the Resulting Issuer's employees, officers, directors, consultants or any affiliate or person to whom an offer of employment or engagement with the Resulting Issuer is extended, are eligible to participate in the Resulting Issuer Equity Incentive Plan if selected by the Compensation and Nominating Committee of the Resulting Issuer (the "**Participants**"). The basis of participation of an individual under the Resulting Issuer Equity Incentive Plan, and the type and amount of any Award that an individual will be entitled to receive under the Resulting Issuer Equity Incentive Plan, will be determined by the Compensation and Nominating Committee based on its judgment as to the best interests of the Resulting Issuer and its shareholders, and therefore cannot be determined in advance.

Any shares subject to an Award under the Resulting Issuer Equity Incentive Plan that are purchased, forfeited, reacquired by the Resulting Issuer (including any withheld to satisfy tax withholding obligations on Awards or securities that are settled in cash), or cancelled, shall again be available to be awarded under the Resulting Issuer Equity Incentive Plan.

In the event of any dividend, recapitalization, forward or reverse share split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of securities or other securities of the Resulting Issuer, issuance of warrants or other rights to acquire securities or other securities of the Resulting Issuer, or other similar corporate transaction or event, which affects the securities, or unusual or nonrecurring events affecting the Resulting Issuer, or the financial statements of the Resulting Issuer, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Compensation and Nominating Committee may make such adjustment, which is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Resulting Issuer Equity Incentive Plan, to (i) the number and kind of securities which may thereafter be issued in connection with Awards, (ii) the number and kind of securities issuable in respect of outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and (iv) any securities limit set forth in the Resulting Issuer Equity Incentive Plan.

Awards

Shares Available

Subject to adjustment as provided in the Resulting Issuer Equity Incentive Plan, the aggregate number of Subordinate Voting Shares that may be issued under all Awards under the Plan shall be determined by the board of the Resulting Issuer from time to time and may not exceed 10% of the number of Subordinate Voting Shares then issued and outstanding. Notwithstanding the foregoing, the aggregate number of Subordinate Voting Shares that may be issued pursuant to awards of Incentive Share Options shall not exceed that number of Subordinate Voting Shares which is equal to 10% of all issued and outstanding Subordinate Voting Shares on the closing of the Transaction.

Options

Under the terms of the Resulting Issuer Equity Incentive Plan, unless the Compensation and Nominating Committee determines otherwise in the case of an Option substituted for another Option in connection with a corporate transaction, the exercise price of the Options may not be lower than the greater of the closing market price of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the Options and (b) the date of grant of the Options. Options granted under the Resulting Issuer Equity Incentive Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Compensation and Nominating Committee and specified in the applicable award agreement. The maximum term of an option granted under the Resulting Issuer Equity Incentive Plan will be ten years from the date of grant. Payment in respect of the exercise of an Option may not be made, in whole or in part, with a promissory note.

Restricted Shares and RSUs

Awards of Restricted Shares and RSUs shall be subject to such restrictions as the Compensation and Nominating Committee may impose (including, without limitation, any limitation on the right to vote or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Compensation and Nominating Committee may deem appropriate. Upon a Participant's termination of employment or service or resignation or removal as a director (in either case, as determined under criteria established by the Compensation and Nominating Committee) during the applicable restriction period, all Restricted Shares and all RSUs held by such Participant at such time shall be forfeited and reacquired by the Resulting Issuer for cancellation at no cost to the Resulting Issuer; provided, however, that the Compensation and Nominating Committee may waive in whole or in part any or all remaining restrictions with respect to shares of Restricted Share or RSUs. Pursuant to the policies of the CSE, the value ascribed to the Subordinate Voting Shares covered by the Restricted Share or RSU may not be lower than the greater of the closing market price of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the Restricted Shares or RSUs, and (b) the date of grant of the Restricted Shares or RSUs. Any Restricted Share or RSU granted under the Resulting Issuer Equity Incentive Plan shall be issued at the time such Awards are granted and may be evidenced in such manner as the Compensation and Nominating Committee may deem appropriate.

Share Appreciation Rights

A SAR granted under the Resulting Issuer Equity Incentive Plan shall confer on the Participant a right to receive upon exercise, the excess of (i) the fair market value of one Subordinate Voting Share on the date of exercise over (ii) the grant price of the SAR as specified by the Compensation and Nominating Committee (which price shall not be less than 100% of the fair market value of one Subordinate Voting Share on the date of grant of the SAR); provided, however, that, subject to applicable law and stock exchange rules, the

Compensation and Nominating Committee may designate a grant price below fair market value on the date of grant if the SAR is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Resulting Issuer or an affiliate. Notwithstanding the foregoing, pursuant to the rules of the CSE, Subordinate Voting Shares issued in connection with SARs may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the SAR, and (b) the date of grant of the SAR. Subject to the terms of the Resulting Issuer Equity Incentive Plan, the policies of the CSE and any applicable award agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement, equity compensation and any other terms and conditions of any SAR shall be as determined by the Compensation and Nominating Committee. The Committee may impose such conditions or restrictions on the exercise of any SAR as it may deem appropriate. No SAR may be exercised more than ten years from the grant date.

Performance Awards

A Performance Award granted under the Resulting Issuer Equity Incentive Plan (i) may be denominated or payable in cash, Subordinate Voting Shares (including without limitation, Restricted Share and RSUs), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of one or more objective performance goals during such performance periods as the Compensation and Nominating Committee shall establish. Notwithstanding the foregoing, pursuant to the rules of the CSE, Performance Awards may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the Performance Award, and (b) the date of grant of the Performance Award. Subject to the terms of the Resulting Issuer Equity Incentive Plan and the policies of the CSE, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Compensation and Nominating Committee.

Dividend Equivalents

A Dividend Equivalent granted under the Resulting Issuer Equity Incentive Plan allows Participants to receive payments (in cash, Subordinate Voting Shares, other securities, other Awards or other property as determined in the discretion of the Compensation and Nominating Committee) equivalent to the amount of cash dividends paid by the Resulting Issuer to holders of Subordinate Voting Shares with respect to a number of Subordinate Voting Shares as determined by the Compensation and Nominating Committee. Subject to the terms of the Resulting Issuer Equity Incentive Plan, the policies of the CSE and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Compensation and Nominating Committee shall determine. Notwithstanding the foregoing, (i) the Compensation and Nominating Committee may not grant Dividend Equivalents to eligible persons in connection with grants of Options, SARs or other Awards the value of which is based solely on an increase in the value of the Subordinate Voting Shares after the date of grant of such Award, and (ii) dividend and Dividend Equivalent amounts may be accrued but shall not be paid unless and until the date on which all conditions or restrictions relating to such Award have been satisfied, waived or lapsed. Subject to the terms of the Resulting Issuer Equity Incentive Plan, the policies of the CSE and any applicable award agreement, such Dividend Equivalents may have such terms and conditions as the Compensation and Nominating Committee shall determine, provided that pursuant to the rules of the CSE, Dividend Equivalents may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the Dividend Equivalent, and (b) the date of grant of the Dividend Equivalent.

Other

In addition, Awards may be granted under the Resulting Issuer Equity Incentive Plan that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Subordinate Voting Shares (including, without limitation, securities convertible into Subordinate Voting Shares), as are deemed by the Compensation and Nominating Committee to be consistent with the purpose of the Resulting Issuer Equity Incentive Plan in accordance with applicable regulations, provided that pursuant to the rules of the CSE, such Awards may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the Award, and (b) the date of grant of the Award.

General

The Compensation and Nominating Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate, subject to compliance with CSE policies. Generally, Awards granted under the Resulting Issuer Equity Incentive Plan shall be non-transferable.

The Compensation and Nominating Committee may amend, suspend, discontinue or terminate the Resulting Issuer Equity Incentive Plan; provided that (i) such amendment, alteration, suspension, discontinuation, or termination complies with all applicable laws, rules, regulations and policies of any applicable governmental entity or securities exchange, including receipt of any required approval from the governmental entity or stock exchange and (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission.

In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer or any other similar corporate transaction or event involving the Resulting Issuer (or the Resulting Issuer entering into a written agreement to undergo such a transaction or event), the Compensation and Nominating Committee or the Resulting Issuer Board may, in its sole discretion, provide for any (or a combination) of the following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, *provided that* the consummation of the event subsequently occurs):

- termination of the Award, whether or not vested, in exchange for cash and/or other property, if any, equal to the amount that would have been attained upon the exercise of the vested portion of the Award or realization of the Participant's vested rights,
- the replacement of the Award with other rights or property selected by the Compensation and Nominating Committee or the Resulting Issuer Board, in its sole discretion,
- assumption of the Award by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the shares of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices,
- that the Award shall be exercisable or payable or fully vested with respect to all Subordinate Voting Shares covered thereby, notwithstanding anything to the contrary in the applicable award agreement, or
- that the Award cannot vest, be exercised or become payable after a certain date in the future, which may be the effective date of the event.

Tax Withholding

The Resulting Issuer may take such action as it deems appropriate to ensure that all applicable federal, state, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

Termination and Change of Control Benefits

Other than as disclosed herein, the Resulting Issuer will not have any contracts, agreements, plans or arrangements that provide for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Resulting

Issuer or a change in an NEO's responsibilities or change in work location outside of Alameda County, California.

- Under Andrew Berman's employment agreement, in the event of termination by expiration or without cause, Mr. Berman is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and one year of severance that includes base salary and equivalent health benefits.

- Under the Jack Nichols employment agreement, in the event of termination by expiration or without cause, Mr. Nichols is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement and one year of severance that includes base salary and equivalent health benefits.

- Regarding Mr. Keith Li, CFO, please see Item 15.1 - *Lineage Executive Compensation – Termination and Change of Control Benefits and Management Contracts – Branson Agreement*.

Oversight and Description of Director and Named Executive Officer Compensation

The Board of the Resulting Issuer will review the compensation of its executives following completion of the Transaction and make such changes as it deems appropriate.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Upon completion of the Transaction, none of the directors or officers of the Resulting Issuer, nor any of their Associates, will be indebted to the Resulting Issuer, and neither will any indebtedness of any of these individuals or Associates to another entity be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer.

17. RISK FACTORS

The Resulting Issuer will be subject to certain risks and uncertainties related to its business, financial condition and operations including but not limited to the risks and uncertainties described herein.

Marijuana remains illegal under U.S. federal law

Marijuana is a Schedule I controlled substance and is illegal under federal U.S. law. The United States federal government regulates drugs through the CSA, which places controlled substances, including marijuana, on one of five schedules. Marijuana is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Resulting Issuer's business, prospects, results of operation, and financial condition.

Federal regulation of marijuana in the United States

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is illegal under federal law and is largely regulated at the state level. To date, a total of 33 states, plus the District of Columbia, have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the CSA in the United States and as such, remains illegal under federal law in the United States.

As a result of the conflicting provisions under state and federal laws and regulations regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**")**.**[39] The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations causes uncertainty in how the federal government prosecutes cannabis activities, any change in such prosecutions may have a material adverse effect on the Resulting Issuer's business, operations and prospects.

Federal prosecutors are 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. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Now that the Cole Memorandum has been repealed by former Attorney General Jeff Sessions, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Resulting Issuer and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Resulting Issuer, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Resulting Issuer's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018 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. Due to the ambiguity of the Sessions Memorandum, and federal illegality of cannabis, there can

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[39] U.S. Dept. of Justice. (2018). *Memorandum for all United States Attorneys re: Marijuana Enforcement.* Washington, DC: US Government Printing Office. Available from https://wwwjustice.goviopa/press-release/file/1022196/download.

be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite contrary state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Mr. Sessions by referencing federal law enforcement priorities set by Mr. Sessions. If the Department of Justice policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Resulting Issuer could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the foregoing protection for medical cannabis operators will be void. The change in such law may have a material adverse effect on the Resulting Issuer's business, operations and prospects.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. marijuana-related activities remains appropriate in light of the rescission of the Cole Memorandum. The Canadian Securities Administrators subsequently issued a revised statemet, being Staff Notice 51-352, in February 2018 confirming the disclosure-based approach.

Notwithstanding the foregoing, in March 2018, as part of the Congressional omnibus spending bill, Congress renewed, through the end of September 2018, the Rohrabacher-Blumenauer Amendment ("**RBA**") which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. Should the RBA not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation, even if such proceedings were concluded successfully in favour of the Resulting Issuer.

Additionally, there can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Resulting Issuer and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the 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 on the Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded Resulting Issuer Shares. In addition, it is difficult 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.

Leahy Amendment

The Leahy Amendment, as discussed above, prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire with the Fiscal Year 2018 on September 30, 2018. At such time, it may or may not be included in the Fiscal Year 2019 omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

U.S. state regulatory uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Resulting Issuer's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Resulting Issuer will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Resulting Issuer's business activity. Although legal under the laws of the states in which the Resulting Issuer's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Resulting Issuer's business.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

The legality of cannabis could be reversed in one or more states of operation

The voters or legislatures of states in which cannabis has been legalized could potentially repeal applicable laws which permit both the operation of medical and retail cannabis businesses. These actions might force the Resulting Issuer to cease some or all of the Resulting Issuer’s business.

If no additional states, U.S. territories or countries allow the legal use of cannabis, or if one or more jurisdictions which currently allow it were to reverse position, the Resulting Issuer’s may not be able to grow, or the market for the Resulting Issuer’s products and services may decline. There can be no assurance that the number of jurisdictions which allow the use of cannabis will grow, and if it does not, there can be no assurance that the existing jurisdictions will not reverse position and disallow such use. If either of these events were to occur, not only would the rowth of the Resulting Issuer’s business be materially impacted in an adverse manner, but the esulting Issuer may experience declining revenue as the market for the Resulting Issuer’s poducts and services declines.

Restricted access to banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements.[40] This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. The few credit unions who have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the U.S. federal government could enforce its banking laws as they relate to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the need of their other customers

As a result, the Resulting Issuer may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Resulting Issuer's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Resulting Issuer to operate and conduct its business as planned or to operate efficiently.

Heightened scrutiny by Canadian regulatory authorities

For the reasons set forth above, the Resulting Issuer's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.[41] The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-

[40] Department of the Treasury Financial Crimes Enforcement Network. (2014). *Guidance re: BSA Expectations Regarding Marijuana-Related Businesses* (FIN-2014-G001). Available from https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses.

[41] Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Available from https://www.cds.ca/resource/en/249/.

related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Resulting Issuer Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Resulting Issuer Shares to make and settle trades. In particular, the Resulting Issuer Shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the Resulting Issuer Shares through the facilities of the applicable stock exchange.

Regulatory scrutiny of the Resulting Issuer's interests in the United States

For the reasons set forth above, the Resulting Issuer's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to carry on its business in the United States.

Risks associated with travelling across the borders

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Employees, including management, of the Resulting Issuer traveling from Canada to the U.S. for the benefit of the Resulting Issuer may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this occurs, it may reduce the Resulting Issuer's ability to manage effectively its business in the U.S.

Risks associated with young industries

The cannabis industries in those states which have legalized such activity are not yet well developed, and many aspects of these industries' development and evolution cannot be accurately predicted. While the Resulting Issuer has attempted to identify many risks specific to the cannabis industry, prospective investors should carefully consider that there are probably other risks that the Resulting Issuer has not foreseen or not mentioned in this document, which may cause prospective investors to lose some, or all, of such prospective investor's investment. Given the limited history, it is difficult to predict whether this market will continue to grow or whether it can be maintained. For example, as a result of the Resulting Issuer's limited operating history in a new industry, it is difficult to discern meaningful or established trends with respect to the purchase activity of the Resulting Issuer's customers.

The Resulting Issuer expects that the market will evolve in ways which may be difficult to predict. For example, the Resulting Issuer anticipates that over time it will reach a point in most markets where the Resulting Issuer has achieved a market penetration such that investments in new customer acquisition are less productive and the continued growth of the Resulting Issuer's revenue will require more focus on increasing the rate at which the Resulting Issuer's existing customers purchase products. In the event of these or any other changes to the market, the Resulting Issuer's continued success will depend on the Resulting Issuer's ability to successfully adjust the Resulting Issuer's strategy to meet the changing market dynamics. If the Resulting Issuer is unable to successfully adapt to changes in the Resulting Issuer's markets, the Resulting Issuer’s business, financial condition and results of operations could suffer a material negative impact.

The Resulting Issuer’s management team or other owners could be disqualified from ownership in the Resulting Issuer

The Resulting Issuer’s business is in a highly regulated industry in which many states have enacted extensive rules for ownership of a participant company. The Resulting Issuer’s owners (which could include the investors in the Resulting Issuer) could become disqualified from having an ownership stake in the Resulting Issuer under relevant laws and regulations of applicable state and/or local regulators, if the applicable owner is convicted of a certain type of felony or fails to meet the requirements for owning equity in a company like the Resulting Issuer.

Constraints on marketing products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Resulting Issuer's ability to compete for market share in a manner similar to other industries. If the Resulting Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Resulting Issuer's sales and operating results could be adversely affected.

Unfavorable tax treatment of cannabis businesses

Under Section 280E (“**Section 280E**”) of the U.S. Tax Code no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted.” This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Entities with which the Resulting Issuer does business, including entities owned, controlled or managed by the Resulting Issuer, may from time to time be disputing and in litigation with the IRS related to an IRS determination that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the U.S. Tax Code. Although the status of a service provider is unclear with respect to 280E it is possible that the Resulting Issuer could be found to have significant tax liabilities that may become due and payable if the IRS. The Resulting Issuer may not have sufficient reserves to satisfy any possible future judgments. A judgement therefore, would likely result in material adverse effects to the Resulting Issuer's business operations and financial condition.

If our overall business is deemed to be subject to Section 280E of the U.S. Tax Code because of the business activities of the companies over which we exercise control, the resulting disallowance of tax deductions could cause us to incur U.S. federal income tax, which would have a material adverse effect on our business.

Section 280E of the U.S. Tax Code provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year “in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA which is prohibited by federal law or the law of any state in which such trade or business is conducted." Because cannabis is a Schedule I controlled substance under the CSA, Section 280E by its terms applies to the purchase and sale of medical-use cannabis products. Although we will not be engaged in the purchase, sale, growth, cultivation, harvesting, or processing of medical-use cannabis products, we will exercise control over, and intend to acquire, companies who engage in such activities, and therefore these companies will likely be subject to Section 280E. With respect to Harborside Oakland and Harborside San Jose , two of the companies over which we currently exercise control, the IRS has taken the position that Section 280E prohibits both such entities from taking certain expense deductions. Each entity is disputing the application of Section 280E to its business with the IRS. If the IRS were to take the position that, through our business operations and in particular control of this company, we are primarily or vicariously liable under federal law for "trafficking" a Schedule I substance (cannabis) under section 280E of the U.S. Tax Code or for any other violations of the CSA, the IRS may seek to apply the provisions of Section 280E to our company and disallow certain tax deductions, including for employee salaries, depreciation or interest expense. If such tax deductions are disallowed, this would result in a material adverse effect to our financial results. As the Resulting Issuer may become engaged in the purchase and/or sale of a controlled substance through the operations of subsidiaries which they may acquire that are operating dispensaries and a cultivation facility, its potential subsidiaries may be subject to the disallowance provisions of Section 280E. In addition, there is no assurance that the IRS will not take a position that the entire business is subject to Section 280E limitations in the future.

Risk of civil asset forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Risk of RICO prosecution or civil liability

The Racketeer Influenced Corrupt Organizations Act ("**RICO**") criminalizes the use of any profits from certain defined "racketeering" activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that marijuana is illegal under U.S. federal law, the production and sale of marijuana qualifies marijuana-related businesses as "racketeering" as defined by RICO. As such, all officers, managers and owners in the Resulting Issuer could be subject to criminal prosecution under RICO, which carries substantial criminal penalties. RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such "racketeers," and can claim triple their amount of estimated damages in attendant court proceedings. The Resulting Issuer as well as its officers, managers and owners could all be subject to civil claims under RICO.

Proceeds of crime statutes

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Resulting Issuer's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Resulting Issuer and, among other things, could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

United States tax classification of the Resulting Issuer

The Resulting Issuer, which is and will continue to be a Canadian corporation as of the date of this Listing Statement, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non- United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Resulting Issuer intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the *Income Tax Act* (Canada) (the "**ITA**") for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Resulting Issuer will pay any dividends on the Resulting Issuer Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Resulting Issuer, subject to examination of the relevant treaty.

Because the Resulting Issuer Shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of Resulting Issuer Shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Security risks

The business premises of the Resulting Issuer's operating locations are targets for theft. While the Resulting Issuer has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Resulting Issuer fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Resulting Issuer.

As the Resulting Issuer's business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Resulting Issuer has engaged a security firm to provide security in the transport and movement of large amounts of cash. Employees sometimes transport cash and/or products and each employee has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Resulting Issuer has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

The Resulting Issuer has previously provided medical marijuana to patients and maintains patient records. Due to the sensitive nature of this information, the Resulting Issuer could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data. If such a breach did occur, the Resulting Issuer could be liable for fines, penalties and for any third-party liability which could result in a material adverse effects to the financial condition of the Resulting Issuer.

Limited trademark protection

The Resulting Issuer will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Resulting Issuer likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

Enforcement of proprietary rights

The Resulting Issuer may be unable to adequately protect or enforce its proprietary rights. Its continuing success will likely depend, in part, on its ability to protect internally developed or acquired, intellectual property and maintain the proprietary nature of its technology through a combination of licenses and other intellectual property arrangements, without infringing the proprietary rights of third parties. The Resulting Issuer cannot prove assurance that its intellectual property owned by the Resulting Issuer will be held valid at the state or federal level if challenged, or that other parties will not claim rights in or ownership of its proprietary rights. Moreover, because marijuana is a Schedule I controlled substance under federal law, and because the United States Patent and Trademark Office will not issue federal trademark registrations if the applicant cannot show lawful use of the mark in commerce, it may not be able to adequately protect its intellectual property.

Infringement or misappropriation claims

The Resulting Issuer may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the resulting issuer, could subject the Resulting Issuer to significant liabilities and other costs.

The Resulting Issuer's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Resulting Issuer cannot assure that third parties will not assert intellectual property claims against it. The Resulting Issuer is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Resulting Issuer, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Resulting Issuer may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Resulting Issuer to injunctions prohibiting the development and operation of its applications.

Currency fluctuations

Due to the Resulting Issuer's present operations in the United States, and its intention to continue future operations outside Canada, the Resulting Issuer is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Resulting Issuer's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Resulting Issuer does not have currency hedging arrangements in place and there is no expectation that the Resulting Issuer will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Resulting Issuer's business, financial position or results of operations.

Lack of access to U.S. 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 Resulting Issuer were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Resulting Issuer, which would have a material adverse effect.

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "**FDA**"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Resulting Issuer is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Resulting Issuer's business, operating results and financial condition.

Legality of contracts

Because the Resulting Issuer's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Resulting Issuer may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

More specifically, some courts have determined that contracts relating to state legal cultivation and sale of cannabis are unenforceable on the grounds that they are illegal under federal law and therefore void as a matter of public policy. This could substantially impact the rights of parties making or defending claims involving the Resulting Issuer and any lender or member of the Resulting Issuer.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Notwithstanding that cannabis related businesses operate pursuant to the laws of states in which such activity is legal under state law, judges have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Resulting Issuer will be able to legally enforce contracts it enters into if necessary. As the Resulting Issuer cannot be assured that it will have a remedy for breach of contract, investors must bear the risk of the uncertainty in the law. If borrowers fail or refuse to repay loans and the Resulting Issuer is unable to legally enforce its contracts, the Resulting Issuer may suffer substantial losses for which it has no legal remedy.

Unfavourable publicity or consumer perception

Proposed management of the Resulting Issuer believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Resulting Issuer's proposed products may 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 favourable 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 favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Resulting Issuer's proposed products and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the Resulting Issuer's proposed products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Resulting Issuer's proposed products specifically, 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 even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Conflicts of interest

A significant number of the executive and senior employees may be engaged in a range of business activities and may have previous and ongoing business relationships with outside entities and with one another which may result in conflicts of interest. In particular, each of Mr. Adam Szweras, corporate secretary of Lineage and a proposed director of the Resulting Issuer, and Mr. Peter Bilodeau, director and CEO of Lineage and proposed Chairman of the Resulting Issuer, have interest in Lineage, FMI, FMICA and other entities that may result in conflicts of interest with Lineage and the Resulting Issuer. See Item 13.10 – *Directors and Officers – Conflicts of Interest* and Item 20 – *Interest of Management and Others in Material Transactions* for more details.

Key officers and directors of the Resulting Issuer have pre-existing ownership or advisory positions in other companies, including companies operating in the cannabis industry. Conflicts of interest may exist and/or arise, directly or indirectly, that would require allocating Management time, or services. All future conflicts of interest will be approved by non-conflicted directors or by a majority of the shareholders of the Resulting Issuer consistent with applicable law.

Unpredictability caused by anticipated capital structure and voting control

Although other Canadian-based companies have dual class or multiple voting share structures, given the unique capital structure contemplated in respect of the Resulting Issuer and the concentration of voting control that is anticipated to be held by the holders of the Multiple Voting Shares, this structure and control could result in a lower trading price for or greater fluctuations in the trading price of the Resulting Issuer Shares or will result in adverse publicity to the Resulting Issuer or other adverse consequences.

The Resulting Issuer is a holding company

The Resulting Issuer is a holding company and essentially all of its assets are the capital stock of its subsidiaries in each of the markets the company operates in. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Resulting Issuer.

Sales of substantial amounts of Resulting Issuer Shares may have an adverse effect on the market price of the Resulting Issuer Shares

Sales of substantial amounts of Resulting Issuer Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Resulting Issuer Shares. A decline in the market prices of the Resulting Issuer Shares could impair the Resulting Issuer's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Resulting Issuer Shares

The market price for the Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Resulting Issuer's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer will operate;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Resulting Issuer Shares;
- sales or perceived sales of additional Resulting Issuer Shares;

- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Resulting Issuer's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently 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 Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset 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 Resulting Issuer's operations could be adversely impacted, and the trading price of the Resulting Issuer Shares may be materially adversely affected.

Liquidity

The Resulting Issuer cannot predict at what prices the Resulting Issuer Shares of the Resulting Issuer will trade and there can be no assurance that an active trading market will develop or be sustained. Final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Resulting Issuer.

Increased costs as a result of being a public company

As a public issuer, the Resulting Issuer will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Resulting Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Resulting Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions, including the Merger Option, involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and

(vi) loss or reduction of control over certain of the Resulting Issuer's assets. Additionally, the Resulting Issuer may issue additional Resulting Issuer Shares in connection with such transactions, which would dilute a shareholder's holdings in the Resulting Issuer.

The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer. A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations. There is no assurance that any pending transactions contemplated herein, including but not limited to the Merger Option, will be completed.

Limited operating history

As a relatively new industry, there are not many established players in the cannabis industry whose business model the Resulting Issuer can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Resulting Issuer.

The Resulting Issuer will have a limited operating history and may not succeed. It is subject to all risks inherent in a developing business enterprise. Its likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with building a business and operating in a complex, ever-changing regulatory and competitive environment and without access to ordinary capital markets that are available to entities outside the cannabis industry. The Resulting Issuer's prospects for success should be considered in light of the risks and uncertainties encountered by companies that are in their early stages. For example, unanticipated expenses, problems, and technical difficulties may occur and they may result in material delays in the operation of the business, in particular with respect to new products. The Resulting Issuer may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Resulting Issuer fails to do so, this could materially harm its business to the point of having to cease operations and could impair the value of securities to the point investors may lose their entire investment. The Resulting Issuer can provide no assurances that the Resulting Issuer will become nor continue to be profitable in the future.

The success of new and existing products and services is uncertain

The Resulting Issuer expects to commit significant resources and capital to develop and market existing and new products, services and enhancements. These products and services are relatively untested, and the Resulting Issuer cannot provide any assurance that it will achieve market acceptance for these products and services, or other new products and services that it may offer in the future. Moreover, these and other new products and services may face significant competition with new and existing competitors. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Resulting Issuer to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements could seriously harm the Resulting Issuer's business, financial condition and results of operations. Moreover, if the Resulting Issuer fails to accurately project demand for our new or existing products, it may encounter problems of overproduction or underproduction which would materially and adversely affect its business, financial condition and results of operations, as well as damage our reputation and brand.

Risks inherent in an agricultural business

The Resulting Issuer's business involves the growing of cannabis, an agricultural product. Cannabis cultivation has the risks inherent in any agricultural business, including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

Given the proximity with which commercially farmed cannabis plants are farmed, pest, disease, and crop failures can spread quickly between plants causing material losses. As with any plant crop, quality finished product requires that plants be provided with the correct quantities of clean water, clean air, sunshine, and nutrients, all within a controlled environment. In addition to crop failure due to pest and disease, crop failure can result from sabotage, natural disaster, and human error. Failure of the plant to survive, pass testing requirements or meet industry standards could result in unsaleable finished product. Given the complex series of variables required to produce top quality cannabis, no assurances can be given that production levels will meet estimates or that product will pass required testing or be of a quality that is competitive in the market. Failure to produce marketable cannabis product could have a material adverse financial impact on the Resulting Issuer.

Energy costs

The Resulting Issuer's cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Resulting Issuer and its ability to operate profitably.

Unknown environmental risks

There can be no assurance that the Resulting Issuer will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Resulting Issuer may be suspended. If the Resulting Issuer receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Resulting Issuer's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Resulting Issuer.

Reliance on management

A risk associated with the production and sale of cannabis is the loss of important staff members. Success of the Resulting Issuer will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

Insurance and uninsured risks

The Resulting Issuer's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Resulting Issuer intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Resulting Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Resulting Issuer is not generally available on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Resulting Issuer may be underinsured and there difficulties with acquiring and maintaining insurance coverage in the cannabis industry may reduce the capability of insurance to serve as a reliable and effective risk management tool. Cannabis specific insurance is still a small and specialized market. Consequently, insurance is often unattainable as it is not offered, or it is prohibitively expensive given the scarcity of actuarial data, small number of market participants, which both reduce the ability to share risk across entities. Consequently, many of the risks we face as a Resulting Issuer are uninsured or uninsurable, and we self-insure. Consequently, the Resulting Issuer will be vulnerable to low probability high impact events. If one such event, were to occur it could result in material adverse effects to the financial condition of the Resulting Issuer.

Emerging industry

The cannabis industry is emerging. There can be no assurance that an active and liquid market for shares of the Resulting Issuer will develop and shareholders may find it difficult to resell their Resulting Issuer Shares. Accordingly, no assurance can be given that the Resulting Issuer or its business will be successful.

Dependence on key inputs, suppliers and skilled labour

The cannabis business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Resulting Issuer. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Resulting Issuer might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Resulting Issuer in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Resulting Issuer.

The ability of the Resulting Issuer 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 Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Resulting Issuer.

Difficulty to forecast

The Resulting Issuer 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 cannabis industry in the states in which the Resulting Issuer's business will operate. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer. The Resulting Issuer's internal opinions, assumptions and analyses may prove to be incorrect and could adversely affect the Resulting Issuer's financial condition and operations.

Management of growth

If the Resulting Issuer is able to expand its operations, it may be unable to successfully manage future growth. If the Resulting Issuer is able to continue expanding its operations, it may experience periods of rapid growth, which will require additional resources in numerous regards. Any such growth could place increased strain on the Resulting Issuer's management, operational, financial and other resources, and the Resulting Issuer will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. In addition, the Resulting Issuer will need to expand the scope of its infrastructure and physical resources. Any failure to expand these areas and implement appropriate procedures and controls in an efficient manner and at a pace consistent with the Resulting Issuer's business objectives could have a material adverse effect on its business and results of operations.

In addition, there are factors which may prevent the Resulting Issuer from the realization of growth targets. The success of the Resulting Issuer's planned expansion is dependent on a number of variables, many of which are outside the control of the Resulting Issuer. Consequently, there is a substantial possibility that the Resulting Issuer will fail to expand as anticipated and may underperform estimated growth targets which may lead to material deviation from the forward looking statements.

Internal controls

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Although the Resulting Issuer will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Resulting Issuer under Canadian securities law, the Resulting Issuer cannot be certain that such measures will ensure that the Resulting Issuer will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Resulting Issuer Shares.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for the Resulting Issuer Shares and could use significant resources. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant resources of FLRish and/or the Resulting Issuer.

From time to time the Resulting Issuer or its key management services customers may be subject to litigation, including potential stockholder derivative actions. Risks associated with legal liability are difficult to assess and quantify, and their existence and magnitude can remain unknown for significant periods of time. The Resulting Issuer plans to have directors’ and officers’ liability (“**D&O**”) insurance in the amounts of US$1,000,000 per occurrence, US$2,000,000 aggregate per annum to cover such risk exposure for its directors and officers but cannot assure that such insurance will be at sufficient levels to cover any disputes and related legal fees and expenses, nor that it will be able to maintain such insurance or maintain such on favorable terms. Without D&O insurance, the amounts that the Resulting Issuer would pay to indemnify its officers and directors should they be subject to legal action based on their service to the Resulting Issuer could have a material adverse effect on its financial condition, results of operations and liquidity.

For a description of all current claims and litigation See Item 19.1 – *Legal Proceedings*.

Product liability

The Resulting Issuer 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 sale of the Resulting Issuer's products would 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 Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness or death, 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 Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer 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 Resulting Issuer's 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 Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Resulting Issuer has detailed procedures in place for testing its 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 Resulting Issuer's significant brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the Resulting Issuer's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol ("**CBD**") and tetrahydrocannabinol ("**THC**")) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Resulting Issuer believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Resulting Issuer Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Listing Statement or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Resulting Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The cannabis industry faces strong opposition

Many believe that several large, well-funded businesses may have a strong economic opposition to the cannabis industry. Specifically, there is reason to believe that the pharmaceutical industry does not want to cede control of any product that could generate significant revenue. For example, medical cannabis will likely adversely impact the existing market for the current "cannabis pill" sold by mainstream pharmaceutical companies. Further, the medical cannabis industry could face a material threat from the pharmaceutical industry should cannabis displace other drugs or encroach upon the pharmaceutical industry's products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses that of the medical and retail cannabis industries. Any inroads the pharmaceutical industry made in halting or impeding the cannabis industry could have a detrimental impact on the Resulting Issuer's business.

Competition

The Resulting Issuer will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. If the number of users of cannabis in the states in which the Resulting Issuer will operate its business increases, the demand for products will increase and the Resulting Issuer 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 Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer 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 its operations.

Recent state cannabis legalization is fueling capital investment in the industry. This influx of capital, the emergence of market winners and the economies of scale these winners will enjoy will likely drive up competition in every area of the industry. Companies may grow through the acquisition of smaller companies and many companies may focus their efforts on becoming vertically integrated. These shifts could have the effect of reducing the number of firms willing or able to form business relationships with the Resulting Issuer. The loss of key business relationships as a result of intensifying consolidation and increased competition could have material adverse effects on our operations and financial condition.

Demand may decline

State laws that allow cannabis consumers to cultivate cannabis, may result in a reduction in the demand for cannabis and cannabis products. Many states that allow medical marijuana or adult use allow the citizens of those states to cultivate cannabis. In California for instance, an individual over the age of 21 is allowed to cultivate up to 6 mature cannabis plants at any one time. The number of individuals in our target market that are going to undertake growing their own cannabis, the broader effect to the market by this type of small scale farming, and the long-term trends in home cannabis production are difficult to estimate. It is possible that large scale adoption of home cannabis production could have substantial effects on cannabis prices which could have material adverse financial consequences for the future performance of the Resulting Issuer.

Potential decline in price of Resulting Issuer Shares

A decline in the price of the Resulting Issuer Shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Resulting Issuer Shares could result in a reduction in the liquidity of its Resulting Issuer Shares and a reduction in its ability to raise capital. Because a significant portion of the Resulting Issuer's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Resulting Issuer's liquidity and its operations. Such reductions may force the Resulting Issuer to reallocate funds from other planned uses and may have a significant negative effect on the Resulting Issuer's business plan and operations, including its ability to develop new products and continue its current operations. If the Resulting Issuer's stock price declines, it can offer no assurance that the Resulting Issuer will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Resulting Issuer is unable to raise sufficient capital in the future, the Resulting Issuer may not be able to have the resources to continue its normal operations.

Newly established legal regime

The Resulting Issuer business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Resulting Issuer, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Estimates related to target market may be inaccurate

It is difficult to calculate the Resulting Issuer's target market and the Resulting Issuer's internal estimates may be inaccurate. Accurate reliable data related to the size of our target market is lacking. Due to the scarcity of reliable and accurate data quantifying the target market we make no representations as to the validity of our target market estimates. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available to investors to review in deciding about whether to invest in FLRish and, few, if any, established companies whose business model FLRish can follow or upon whose success FLRish can build. There can be no assurance that the FLRish's estimates will be accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Liability for activity of employees, contractors and consultants

The Resulting Issuer could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Resulting Issuer. The cannabis industry is under strict scrutiny. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Resulting Issuer. Consequently, the Resulting Issuer is subject certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Resulting Issuer.

Reliance on information technology and vulnerability to cyberattacks

The Resulting Issuer will be reliant on information technology systems and may be subject to damaging cyberattacks. Every business is subject to cyberattack, however, cannabis businesses are particularly vulnerable given the relatively small size of the market for, and therefore resources available to, cannabis specific information technology providers. As such cannabis, specific information technology may be less able to thwart attempted breaches and misuses of information technology systems. A breach of the Resulting Issuer's computers could give rise to liabilities that result in material adverse effects to the financial condition of the Resulting Issuer.

Data breaches and privacy law

The Resulting Issuer may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws. The Resulting Issuer has previously provided medical marijuana to patients and maintains patient records. Due to the sensitive nature of this information, the Resulting Issuer could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data. If such a breach did occur, the Resulting Issuer could be liable for fines, penalties and for any third-party liability which could result in a material adverse effects to the financial condition of the Resulting Issuer.

Information Technology Systems and Cyberattacks

The Resulting Issuer's operations depend in part on how well it protects networks, equipment, and information technology systems and software against damage from a number of threats, including but not limited to cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component thereof could, depending on the nature of such failure, adversely impact the Resulting Issuer's reputation and results of operations. The Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other factors, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Ability to obtain and retain licenses and permits

The Resulting Issuer may not be able to obtain and/or retain all necessary California and Oregon licenses and permits, which could, among other things, delay or prevent the Resulting Issuer from becoming profitable. The Resulting Issuer's line of business is reliant on the issuance of required licenses. Failure to acquire necessary licenses required to operate new business expansion could have a material adverse effect on its financial condition. Due to the nature of licensing, which is at the discretion of state and local governments, it is outside of the Resulting Issuer's control and therefore ability to ensure that the Resulting Issuer will receive the licenses it seeks.

Construction delays

The Resulting Issuer may not be able to complete timely construction of its facilities, which could, among other things, delay or prevent the Resulting Issuer from becoming profitable. Expansion of the Resulting Issuer's business will likely be achieved through the construction of new facilities. As with any construction project there is a possibility of cost overruns, and delays. Failure to be approved for licensing, and complications with construction projects could delay or otherwise harm the Resulting Issuer's future financial performance.

Banking

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes, any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Resulting Issuer's business. Banking is integral to the Resulting Issuer's business relationships, this risk can lead to termination of banking relationships that is likely to negatively impact our ability to obtain ongoing funding and to handle transactions. Additionally, there is regulatory and other risk associated with the violation of the banking and money laundering statutes that could negatively impact the business.

Third party service providers

Third party service providers to the company may withdraw or suspend their service to the Resulting Issuer under threat of prosecution. Since under U.S. federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Resulting Issuer's operations could have a material and adverse effect on the Resulting Issuer's business.

Dependence on strategic partnerships

The Resulting Issuer's business plan relies on the maintenance and formation of strategic partnerships. If these partnerships do not materialize, or the partner does not perform to expectations, the Resulting Issuer may be unable to sell its products. The Resulting Issuer will rely upon material contracts with entities involved in the cannabis industry. The risks outlined in this Item 17 also apply to such material entities. Additional risks arise from the relationship between the entities and include, but is not limited to:

- default or non-payment of fees due from entities;
- disputes between the parties;
- conflicts of interests and overlapping parties;
- certain entities ongoing 280E liability;
- re-negotiation of contractual terms;
- fee structure may not be tenable;
- management's decisions executed by entities;
- loss of control over brand management.

General economic risks

The Resulting Issuer's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Resulting Issuer's sales and profitability.

Transaction risks

The transaction between FLRish and Lineage may not be consummated. It is possible that the Transaction will not be completed on the expected terms or at all for a variety of reasons, including but not limited to the following: negative tax effects on shareholders, FLRish, or Lineage; failure to obtain any required corporate or regulatory approvals by FLRish, Lineage, or shareholders; the imposition of material regulatory burdens; action by the CSE that would disallow the trading of the Resulting Issuer Shares; or failure to meet, maintain, or otherwise complete listing requirements.

If the Transaction is completed, the Resulting Issuer's financial position and results of operations may differ materially from management's current expectations.

Following completion of the Transaction contemplated herein, the Resulting Issuer's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Resulting Issuer's financial performance and production profile may differ materially from that expected. The process for estimating the Resulting Issuer's financial performance and production profile requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used may not prove to be accurate, and other factors may affect the Resulting Issuer's financial condition or results of operations. Any potential decline in the Resulting Issuer's financial condition or results of operations may negatively impact the value of the securities.

If the Transaction is completed, the Resulting Issuer may not achieve the anticipated synergies.

The Resulting Issuer may face difficulty in achieving the identified and anticipated operating and financial synergies and fail to successfully integrate the proposed acquisitions into its operations. The Resulting Issuer may also realize a decline in the value of the acquired properties, companies or securities. There may be a diversion of management from the existing business of the Resulting Issuer as a result of potential acquisitions, investments or divestitures. In addition, there is a potential for loss of key employees of any acquired business. Such difficulties associated with acquisitions and investments could disrupt the Resulting Issuer's ongoing operations, distract its management and employees and create unanticipated costs, any of which could have a material adverse effect on the Resulting Issuer's business and results from operations.

The completion of the Merger Option may not occur and are subject to similar risks identified herein.

FLRish manages the retail dispensary operations and the cultivation operations currently carried on by Harborside Oakland and Harborside San Jose. Following closing of the Transaction, it is expected that FLRish, or the Resulting Issuer, will complete the Merger Option to purchase Harborside Oakland and Harborside San Jose in accordance with the terms contained therein. The completion of such purchase is dependent on a number of factors and are subject to similar risks as identified herein and may not be completed in the expected manner or at all.

Acquisitions of Agris Farms and LUX may not occur and are subject to similar risks identified herein.

It is expected that Lineage, or the Resulting Issuer, will complete the Agris Farms Acquisition and the LUX Acquisition. The completion of such acquisitions is dependent on a number of factors and are subject to similar risks as identified herein and may not be completed in the expected manner or at all.

Acquisition of Airfield may not occur and is subject to similar risks identified herein.

It is expected that Lineage, or the Resulting Issuer, will complete the Airfield Acquisition. There are significant risks relating to obtaining regulatory approval from the local authorities for the Airfield Acquisition, risk of not being able to enter into a definitive agreement, risk in not raising the sufficient proceeds in the Concurrent Offering, risk of the Resulting Issuer board deciding not to proceed with the Airfield Acquisition if not completed prior to the Transaction, and the risk that the other conditions to closing will not be satisfied. The completion of the Airfield Acquisition is dependent on a number of other factors, is subject to additional risks including risks similar to those identified herein, and may not be completed as expected or at all.

Concentration of the Resulting Issuer's retail business activities in California may negatively impact financial condition and results from operations

Subject to the successful completion of the proposed acquisitions disclosed herein, the Resulting Issuer is expected to conduct its primary retail business activities through the Harborside Dispensaries located in Oakland and San Jose, California. As a result, the Resulting Issuer has a significant concentration of risk exposure related to this region and the ability of the Harborside Dispensaries to renew necessary local authorization and state licenses required to operate. As a result, the concentration of the Resulting Issuer's retail business activities in Oakland and San Jose, California may negatively impact the Resulting Issuer's business, financial condition and results from operations.

Risks related to Harborside Oakland's lease

Harborside Oakland currently conducts all of its licensed retail dispensary, manufacturing and distribution activities within its dispensary located at 1840 Embarcadero, Oakland, California. Harborside Oakland currently holds a lease to these premises, which expires on January 22, 2021. Although Harborside Oakland is currently in negotiations with the landlord of the property to extend the term of the lease, there can be no assurance that it will be successful in securing a long term extension for the leased premises. State licenses are assigned to a specific entity and location and are not transferable. Therefore, if Harborside Oakland is unable to secure a lease extension for its dispensary located at 1840 Embarcadero, Oakland, California, it would have to relocate and there is significant risk associated with trying to secure an alternative location and the licenses necessary to operate from that new location. Failure to renew or extend this lease could therefore have a material adverse effect on the ability of Harborside Oakland to continue operations, and on the Resulting Issuer's business and results from operations.

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18. PROMOTERS

18.1 Promoters

Other than as set out below, no person or company has been within the two years immediately preceding the date of this Listing Statement, a promoter of the Resulting Issuer.

Mr. Roger Jenkins may be considered a promoter of FLRish.

On March 12, 2018, FLRish entered into a one year advisory agreement, which is now expired, with Mr. Roger Jenkins, the manager of LMS, to provide capital strategy and advice, to assist with investor relations, and to assist in FLRish's US$6,500,000 Series A round financing which was completed on April 30, 2018. Mr. Jenkins continues to provide advice and support for forward-looking capital strategies. The agreement provided for the reimbursement of expenses and the grant of options to acquire 240,000 shares of Series A Common Stock with an exercise price of US$4.15.

On April 29, 2018, FLRish Farms entered into a merger agreement, as amended, with LMS to purchase and merge LMS's 31.5% interest in Savature into FLRish Farms. Pursuant to the plan of reorganization: Savature, LLC converted to Savature, Inc.; Savature, Inc. issued 64 shares to LMS and 36 shares to FLRish Farms LLC; FLRish Farms, LLC converted to FLRish Farms, Inc.; FLRish Farms, Inc. and Savature, Inc. merged with Savature, Inc. as the surviving entity; FLRish issued 11,156,626 shares of Series B Common Stock to LMS in exchange for LMS's stock in Savature Inc. The plan of reorganization was completed in July 2018, and FLRish secured 100% ownership of Savature Inc. Pursuant to the plan of reorganization, FLRish Farms, LLC converted to FLRish Farms, Inc. and Savature, LLC converted to Savature, Inc.

Pursuant to the terms of the merger agreement, Savature elected to be taxed as a corporation as of March 31, 2018. On May 25, 2018, the membership interests of Savature held by LMS were exchanged for 64 common voting shares of Savature and the membership interests of Savature held by FLRish Farms were exchanged for 36 common voting shares of Savature, Inc.; FLRish Farms, LLC converted to FLRish Farms, Inc.; FLRish Farms, Inc. and Savature, Inc. merged with Savature, Inc. as the surviving entity; FLRish issued 11,156,626 shares of Series B Common Stock to LMS in exchange for LMS's stock in Savature Inc., resulting in Savature being wholly-owned by FLRish. The plan of reorganization was completed in July 2018, and FLRish secured 100% ownership of Savature Inc.

On December 19, 2017 FLRish issued the Convertible Promissory Note with a face value of US$1,000,000 and bearing interest at a rate of 1% per month to Murray Field & Company, LLC, a company owned by

Roger Jenkins, in exchange for US$1,000,000 in cash which, pursuant to its terms, was convertible into shares of Series A-1 Preferred Stock upon FLRish raising US$4,000,000 in equity financing. On April 30, 2018, FLRish raised US$4,000,000 through the sale of Series A Preferred Stock and the principal Convertible Promissory Note converted automatically, with accrued interest paid in cash.

18.2 Cease Trade Orders or Bankruptcies, Penalties of Sanctions, Personal Bankruptcies

On June 20, 2017, the UK Serious Fraud Office brought charges before the Crown Court in London concerning a number of senior executives of Barclays PLC and Barclays Bank PLC, including Roger Jenkins. The charges were brought regarding Barclays PLC's involvement in two capital raising arrangements with Qatar Holding LLC and Challenger Universal Ltd., which took place in June and October 2008. In addition , there was a charge relating to a loan to the State of Qatar in 2008 against Mr. Varley, the CEO of Barclays Bank LLC, Mr. Jenkins and Barclays Bank PLC and Barclays PLC.

The charges as they related to Barclays PLC and Barclays Bank PLC and the charges relating to Mr. Jenkins regarding the loan were dismissed by the Crown Court on July 9, 2018 and dismissed by the Crown Court on July 9, 2018. The UK Serious Fraud Office filed an application for a Voluntary Bill of Indictment in the High Court with regard to this dismissal, and the High Court subsequently denied the UK Serious Fraud Office's application for this Voluntary Bill of Indictment.

The trial started on January 23, 2019, and the defendants were charged with conspiracy to commit fraud by false representation with regard to two capital raisings in June and October 2008. All other charges, as set out above, were not taken forward. On April 8, 2019, Justice Jay discharged the jury that was reviewing the case in London.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

There are no actual or contemplated legal proceedings material to the Corporation or a subsidiary of the Corporation or of which any of their respective property is the subject matter and there are no such proceedings known to the Corporation to be contemplated.

Other than set forth below, there are no actual or contemplated legal proceedings material to FLRish or a subsidiary or controlled entity of FLRish or a partner in a material contract of which any of their respective property is the subject matter and there are no such proceedings known to FLRish to be contemplated.

There have been no penalties or sanctions imposed against FLRish by a court or regulatory authority, and FLRish has not entered into any settlement agreements before any court relating to federal, state, provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this Listing Statement.

Harborside Dispensaries Tax Cases

Harborside Oakland is involved in three U.S. Tax Court cases related to Harborside Oakland's fiscal years ended July 31, 2007, 2008, 2009, 2010, 2011 and 2012 which were consolidated for trial and briefing. Each of these cases involve the application of Section 280E to Harborside Oakland's business. On November 30, 2018, the U.S. Tax Court ruled that Section 280E applies to any business which consists of trafficking in a controlled substance, and such businesses may not deduct their ordinary and necessary business expenses. After finding Section 280E applied, the U.S. Tax Court went on to find that Harborside Oakland had only one trade or business, the sale of a controlled substance, and disallowed all of its expense deductions for the tax years in question.

The U.S. Tax Court still needs to issue a final ruling with respect to the above cases, particularly whether it will impose any penalties relating to the accuracy of Harborside Oakland's tax filings for the tax years in question, which it reserved for in its November 30, 2018 ruling. Once a final ruling is issued, the IRS is expected to calculate the deficiency amount based on the U.S. Tax Court's decision, which Harborside Oakland will have the opportunity to review and dispute. Harborside Oakland will also have the right to appeal any final U.S. Tax Court determination with the Ninth Circuit Court of Appeals. Based on pre-trial stipulations pertaining to the above-referenced cases, Harborside Oakland expects the tax liability (the Tax Court has declined to impose penalties) for the tax periods identified in this section to be US$9 million to US$13 million; this estimate does not include interest.

Harborside San Jose is involved in two pending U.S. Tax Court cases related to Harborside San Jose's fiscal years ended October 31, 2010, 2011, 2012, 2014, and 2015, which were consolidated for trial and briefing. These cases involve the application of Section 280E to Harborside San Jose's business. The Harborside San Jose cases were stayed before the U.S. Tax Court pending the outcome of the above-described Harborside Oakland tax cases. The 2014 and 2015 tax years are presently in administrative review with the IRS and no deficiency notices have presently been issued for those years. In these tax years, the IRS has asserted that Harborside San Jose is liable for tax deficiencies and negligence penalties pursuant to IRC Section 6662. Due to the uncertain nature of the law surrounding Section 280E, the financial effects of these assessments are difficult to reasonably estimate. However, Harborside San Jose estimates that the deficiencies in tax and penalties asserted by the IRS, not including interest calculations, will be approximately US$4.37 million.

Jeff Brothers

On May 9, 2018 Jeff Brothers ("**Brothers**") made a demand for arbitration (the "**Brothers Arbitration**") arising from claims of debts owed to him. Brothers was the CEO of FLRish from the time of its creation until April 17, 2017 at which time he resigned. Brothers did not have an employment contract but was granted 250,000 shares of common stock at the time of creation of FLRish and 1,750,000 stock options pursuant to the 2016 FLRish Equity Incentive Plan.

On April 17, 2017 Brothers and FLRish entered into a confidential transition agreement with by which Brothers agreed to resign from his position as CEO of FLRish and FLRish waived any rights to two projects Brothers desired to pursue.

Under the terms of the transition agreement Brothers would receive six months of consulting fees at his then in effect annual base salary rate. Additionally, FLRish agreed to pay a termination fee equal to six months of his annual base salary rate. At the time Brothers then in-effect base salary was $360,000 per year. As a result FLRish's total fee obligation to Brothers is $360,000. Payments of $112,800 were made to Brothers on his fee. This leaves a total amount due of $247,200.

At the time of the transition agreement Brothers stated to FLRish that he was still owed money based on earlier incurred costs presented as a "development fee". FLRish agreed to cover up to $213,500 in such costs but only to the extent that such amounts were "substantiated by documentation". At this time no written documentation has been provided.

Over the last year internal staff and consultants have reviewed and recreated the transactional records related to Brothers and the past controller hired by Brothers, particularly with regard to the development fee and FLRish's project, and has found a number of issues that give rise to claims by FLRish against Brothers.

It is estimated that, as a result of the claims against Brothers and his continuing inability to provide documentation for asserted expenses, the maximum liability will be $247,200 with a distinct possibility of substantially less, up to and including, the possibility of a money judgment in favor of FLRish as a result of the Brothers Arbitration.

Scott Moothery

On October 10, 2017 Scott Moothery, a former employee, filed a complaint with the Department of Fair Employment & Housing and received a right to sue letter. Moothery's claims are based upon discrimination, harassment, and other employment causes. To our knowledge no suit has been filed on the matter.

19.2 Regulatory Actions

The Corporation is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Listing Statement; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. n The Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Corporation, or any associate or affiliate of any of the foregoing has or had any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, which has materially affected or will materially affect the Corporation or any of its subsidiaries, other than as disclosed in this Listing Statement and in the financial statements and MD&A of FLRish, which are attached to this Listing Statement.

Summary

The following table summaries certain information relating to fees payable to certain interested parties and management and should be read together with the more detailed statements contained in this Item 20 and elsewhere in this Listing Statement.

Fees Paid					
Agreement	**Fee Type**	**Payor**	**Payee**	**Amount Payable**	**Amount Paid**
Original Lineage/FMICA Consulting Agreement	Consulting fee	Lineage	FMICA	C$12,000 per month	C$144,000 paid in 2018 calendar year
				cash fee of C$30,000	C$30,000
				C$80,000	C$80,000 paid in 320,000 Lineage Common Shares at C$0.25 per share
Supplemental Lineage/FMICA Consulting Agreement	Consulting fee	Lineage	1036413 Ontario Ltd. (owned by Goomie Trust)	C$45,000	C$45,000, applied to subscription for Lineage units
			Bilodeau	C$35,000, applied to subscription for Lineage units	C$35,000, applied to subscription for Lineage units
Lineage/FMI M&A Agreement	Success fee for Terpene	Lineage	FMICA	C$63,480 paid in 386,909 Lineage Common Shares at C$0.165 per share	C$63,480

FLRish/FMICA Consulting Agreement	Consulting fee	FLRish	FMICA	US$15,000 per month	US$135,000 was paid in 2018 calendar year
Supplemental FLRish/FMICA Consulting Agreement	Advisory fee	FLRish	FMICA	C$1,000,000	C$730,000 was paid
FMI Agency Agreement	Commission	FLRish	FMI	C$992,154 (of which C$52,337 was paid to Emtra)	C$992,154 (of which C$52,337 was paid to Emtra)
				143,790 broker warrants	N/A
Branson Agreement	Management service fees	Lineage	Branson	C$8,000 per month	C$130,463.76 for 2018 calendar year, including C$10,000 bonus to Keith Li
Herbiculture LOI Termination Agreement	Termination fee	Lineage	Quinsam	C$38,000 paid in 200,000 Lineage Common Shares at C$0.19 per share	C$38,000
Foglers	Legal fee	Lineage	Foglers	As per invoices	C$142,037.65 was paid as at February 6, 2019
Emtra Agreement	CEO management services	Lineage	Emtra	C$10,000 per month	C$114,667 was paid for fees incurred to February 28, 2019
Emtra Letter Agreement	Bonus	Lineage	Emtra	C$100,000, applied to option exercise price	C$60,000
Altai/FMICA Consulting Agreement	Consulting Fee	Altai	FMICA	C$5,000	C$5,000
Fees to be paid					
Agreement	**Fee Type**	**Payor**	**Payee**	**Payment Date**	**Amount to be Paid**
Original Lineage/FMICA Consulting Agreement	Consulting fee	Lineage	FMICA	Monthly until completion of the Transaction	C$12,000 per month
	Success fee for Agris Farms Acquisition	Resulting Issuer	FMI	On completion of Agris Farms Acquisition	C$351,120 payable in 50,887 Subordinate Voting Shares at C$6.90 per share
	Success fee for Lux Acquisition	Resulting Issuer	FMICA	On completion of Lux Acquisition	C$177,254 (6.5% of transaction value) payable in 25,689 Subordinate Voting Shares at C$6.90 per share
	Advisory fee for discontinued acquisitions	Resulting Issuer	FMICA	On completion of the Transaction	C$153,422 payable in 22,235 Subordinate Voting Shares at C$6.9 per share
Altai/FMICA Advisory Agreement	Advisory fee for Lux Acquisition	Altai	FMICA	On completion of Lux Acquisition	C$189,572 payable in 41,967 Subordinate Voting Shares at C$6.9 per share

FLRish/FMICA Consulting Agreement	Going public stock success fee	FLRish	FMICA	On completion of the Transaction	To be determined based on certain formula discussed below in "Going Public Stock Success Fee Calculation"
Supplemental FLRish/FMICA Consulting Agreement	Consulting fee	FLRish	FMICA	On commencement of Concurrent Offering	C$70,000
	Consulting fee	FLRish	FMICA	To be issued prior to completion of the Transaction	143,790 compensation warrants of FLRish to be issued to FMICA, exercisable into FLRish common shares at C$6.90 per share
Airfield M&A Agreement	Success fee for Airfield Acquisition	Resulting Issuer	FMICA	On completion of the Airfield Acquisition	4% of gross purchase price, subject to certain discount discussed below in "Airfield Fee Discount"
Emtra Agreement	CEO management services	Lineage	Emtra	Monthly until completion of the Transaction	C$10,000 per month
Emtra Letter Agreement	Bonus	Lineage	Emtra	On completion of the Transaction	C$40,000

In respect of agreement listed above that provides for ongoing or monthly fee payments, obligations under such agreement will terminate on closing of the Transaction. In respect of any agreement listed above that provides for a one-time fee payment, obligations under such agreement will terminate once payment of that fee has been made.

Foundation Financial Holdings Corp.

FFHC is the parent company and holds a 100% interest each of each of FMI and FMICA. Furthermore, FFHC held a forty-nine percent (49%) interest in the now defunct Branson Corporate Services Inc., and owns a sixty percent (60%) interest in its successor, Branson Corporate Services Ltd. The Goomie Trust, a family trust for the benefit of the children of Adam Szweras is the sole shareholder of FFHC. Adam Szweras is neither settlor, beneficiary, trustee, nor a protector of the Goomie Trust.

Foundation Markets Inc.

FMI is an Exempt Market Dealer located in Toronto, Ontario. FMI is licenced to advise or deal in securities in each of Alberta, British Columbia, New Brunswick, Ontario and Quebec. FMI and the registered individuals who work for them, may act as a dealer or underwriter for any securities which are prospectus exempt, as a dealer for any securities sold to clients who qualify for purchase of exempt securities, and as a dealer for investment funds which are either prospectus qualified or prospectus exempt.

FMI Capital Advisory Inc.

FMICA is a full-service merchant bank and capital markets advisory firm located in Toronto, Ontario Canada. FMICA provides capital market and M&A advisory services to its clients in the development and advancement of corporate objectives and growth initiatives.

Quinsam

Quinsam is a merchant bank based in Canada that is focusing on cannabis-related investments. Quinsam invests its capital for its own account, and does not invest on behalf of any third party nor does it offer investment advice.

Peter Bilodeau

Mr. Bilodeau serves as a director and CEO of Lineage, President & CEO of each of FMI and FMICA, and President and director of Quinsam. Mr. Bilodeau owns a 100% interest in Emtra. Emtra is a company controlled by Mr. Bilodeau through which Mr. Bilodeau as an employee thereof is compensated for his work in acting as CEO of Lineage pursuant to the Emtra Consulting Agreement.

Adam Szweras

Mr. Szweras serves as corporate secretary to Lineage and is Chairman to each of FMI and FMICA, and director for Quinsam. Mr. Szweras is also a partner with Fogler, Rubinoff LLP in Toronto. Mr. Szweras owns a 15% interest in Branson Corporate Services Ltd.

Interest of Peter Bilodeau, Adam Szweras and Foundation Companies

Relationships between Lineage, Foundation Companies, Adam Szweras and Peter Bilodeau

(a) Mr. Szweras serves as a director of Quinsam and Mr. Bilodeau serves as the President and as a director of Quinsam.

(b) Mr. Szweras owns a 15% interest in Branson Ltd.

(c) FFHC held a 49% interest in the now defunct Branson Inc., and owns a 60% interest in its successor, Branson Ltd.

(d) The Goomie Trust, a family trust for the benefit of the children of Mr. Szweras is the sole shareholder of FFHC. Mr. Szweras is neither settlor, beneficiary, trustee, nor a protector of the Goomie Trust.

(e) Mr. Bilodeau owns a 100% interest in Emtra.

(f) Emtra is a company controlled by Mr. Bilodeau through which Mr. Bilodeau is compensated for his work in acting as CEO of Lineage pursuant to the Emtra Consulting Agreement.

(g) Emtra holds no securities of either FLRish or Lineage.

Securities held by Foundation Companies, Adam Szweras and Peter Bilodeau

The following securities held by Foundation Companies, Mr. Szweras, Mr. Bilodeau, Emtra and Branson were issued pursuant to fees owed by Lineage:

(a) FFHC, through Branson Ltd., indirectly holds and controls 1,735,000 Lineage Common Shares.

(b) FMI

    i) FMI directly holds and controls 456,400 broker warrants, each broker warrant exercisable into one Lineage Common Share at a price of $0.25 per share, which expire as follows:

195,200 on May 12, 2019, 111,800 on January 23, 2020, 80,200 on February 8, 2020, 51,200 on February 14, 2020 and 18,000 on February 16, 2020.

ii) FMI directly holds and controls 143,790 broker warrants in the capital of FLRish, each broker warrant exercisable into one common share in the capital of FLRish at a price of $6.90 per share.

(c) FMICA

i) FMICA directly holds and controls 5,811 common shares in the capital of FLRish;

ii) FMICA directly holds and controls 1,719,013 Lineage Common Shares.

(d) Peter Bilodeau

i) Mr. Bilodeau directly and indirectly holds and controls 432,481 Lineage Common Shares;

ii) Mr. Bilodeau directly and indirectly holds and controls 140,000 common share purchase warrants in the capital of Lineage exercisable into Lineage Common Shares at a price of $0.325;

iii) Mr. Bilodeau directly holds and controls 1,083,333 options in the capital of Lineage, each option is exercisable into one Lineage Common Share as follows:

i. 500,000 options exercisable at $0.25; and
ii. 583,333 options exercisable at $0.165.

(e) Adam Szweras

i) Mr. Szweras directly and with his spouse and in registered savings accounts holds and controls 12,048 common shares in the capital of FLRish;

ii) Mr. Szweras directly and with his spouse and in registered savings accounts holds and controls 1,878,781 Lineage Common Shares.

iii) Mr. Szweras directly holds and controls 500,000 options in the capital of Lineage, each option is exercisable into one Lineage Common Share as follows:

i. 200,000 options exercisable at $0.25; and
ii. 300,000 options exercisable at $0.165.

Summary of Compensation Arrangements Prior to Restated Fee Agreement

The following is a summary of compensation arrangements existing prior to the parties entered into the Restated Fee Statement Agreement (as defined below):

(a) On June 5, 2017, Lineage, formerly, Lakeside Minerals Inc., retained FMICA to evaluate a broad range of strategic opportunities to maximize shareholder value of Lineage upon entering into the Original Lineage/FMICA Consulting Agreement.

(b) On July 23, 2017, Lineage retained FMI for merger and acquisition services by entering into the Lineage/FMI M&A Agreement, whereby FMI provided Lineage advice in connection with potential transactions including mergers, acquisitions, divestitures, spin-offs, sales of business units and joint ventures (the "**Lineage/FMI M&A Agreement Services**"). Under the terms of the Lineage/FMI

M&A Agreement, Lineage is required to pay to FMI an advisory fee equal to 4% of the transaction value of any acquisition, divestiture, spin-off, sale or merger, or joint venture introduced to Lineage by FMI payable in cash or Lineage Common Shares. On May 2, 2018, Lineage entered into the Agris Farms Term Sheet Agreement, whereby Lineage would acquire all the issued and outstanding membership interests in Agris Farms. In connection with the Agris Farms Acquisition and pursuant to the Lineage/FMI M&A Agreement, FMI is entitled to a success fee for FMI's assistance with the Agris Farms Acquisition. For clarity, the Lineage/FMI M&A Agreement governs all Lineage/FMI M&A Agreement Services pertaining to acquisition targets introduced by FMI to Lineage between July 23, 2017 and May 9, 2018.

(c) On September 1, 2017, Lineage retained Branson Inc. for management services by entering into a management service agreement whereby Branson Inc. provided CFO functions, bookkeeping and corporate secretarial services to Lineage. The management service agreement terminated on December 1, 2018. Branson Inc. has ceased operations and will dissolve in due course and distribute its assets to its shareholders.

(d) On December 1, 2018, Lineage retained the successor corporation to Branson Inc. named Branson Ltd. for management services upon entering into a management service agreement whereby Branson Ltd. provides CFO functions, bookkeeping and corporate secretarial services to Lineage.

(e) On December 15, 2017, Lineage and FMICA entered into the Supplemental Lineage/FMICA Consulting Agreement, whereby Lineage and FMICA amended the terms of the Original Lineage/FMICA Consulting Agreement. Lineage agreed to pay FMICA an additional $80,000 in connection with additional services not originally contemplated in the Original Lineage/FMICA Consulting Agreement.

(f) On February 8, 2018, Altai retained FMICA for capital advisory consulting services upon entering into the Altai Consulting Agreement whereby FMICA would assist Altai with either a potential Transaction or sale of LUX. FMICA subsequently introduced Altai to Lineage and pursuant to the Altai Consulting Agreement, assisted in structuring the proposed LUX Acquisition.

(g) On February 29, 2018, FLRish retained FMICA for capital markets advisory services upon entering into the FLRish/FMICA Consulting Agreement, whereby FMICA provides FLRish with capital markets advisory services including structuring, negotiating and executing the Transaction.

(h) On December 3, 2018, FLRish and FMICA entered into the Supplemental FLRish/FMICA Consulting Agreement whereby FMICA agreed to provide additional advisory services to FLRish supplementing those not already provided for under the FLRish/FMICA Consulting Agreement.

(i) On April 17, 2018, Lineage retained Emtra for consulting and CEO services entering into the Emtra Consulting Agreement, pursuant to which Emtra and its employee, Bilodeau are entitled to receive a consulting fee in the amount of $10,000 per month for the duration of the Emtra Consulting Agreement.

(j) On December 5, 2018, Lineage and Emtra entered into a letter agreement (the "**Emtra Letter Agreement**") to specify the terms of a cash bonus in connection with the Emtra Consulting Agreement. Pursuant to the Emtra Letter Agreement, Lineage agreed to pay Mr. Bilodeau a cash bonus in the amount of CAD $100,000 (the "**Bilodeau Bonus**"). Pursuant to the terms the Emtra Letter Agreement, Mr. Bilodeau must use the Bilodeau Bonus to exercise Lineage options held by Mr. Bilodeau. As of February 6, 2019, Mr. Bilodeau had used a total of $40,000 of the Bilodeau Bonus to exercise options resulting in 291,667 Lineage Common Shares being issued to Mr. Bilodeau, leaving a balance of $60,000 of the Bilodeau Bonus being owed to Mr. Bilodeau, $20,000 of which shall be used to exercise options upon the execution of the definitive agreement pursuant to which Lineage is to acquire LUX, and the remaining $40,000 to exercise options upon the Definitive Agreement being executed.

(k) On April 20, 2018, Lineage and Quinsam entered into the Herbiculture LOI.

(l) On May 9, 2018, Lineage retained FMICA to provide merger and acquisition advisory services by entering into the Lineage/FMICA Consulting Agreement, which superceded the Original/FMICA Consulting Agreement, the Lineage/FMI M&A Agreement and the Supplemental FLRish/FMICA Consulting Agreement. Pursuant to the Lineage/FMICA Consulting Agreement, FMICA agreed to provide merger and acquisition consulting services to Lineage including ongoing executive management services, assisting management in developing and defining its strategic plan, assisting in developing strategies to aid Lineage in disseminating its strategic goals to the market, working with management to develop a financing strategy, assisting with updating corporate presentations, web sites and market materials, introducing potential directors, management candidates and services providers as needed and general business development services and other related services. Pursuant to the terms of the Lineage/FMICA Consulting Agreement, FMICA receives a monthly fee of $12,000 and a success fee for assistance with any acquisition, divestiture, spin off, sale or merger, or joint venture undertaken by Lineage, payable as follows:

i) 2.5% on the first $1,999,999 of the value;
ii) 2.0% on the value between $2,000,000 and $4,999,999; and
iii) 1.5% on the value in excess of $5,000,000.

(m) On August 12, 2018, FLRish entered into a binding letter of intent with Lineage to undertake the Transaction.

(n) On August 27, 2018, Airfield retained FMICA for capital advisory consulting services upon entering into the Airfield Finder Agreement, whereby FMICA assists Airfield with capital markets advisory services including assisting Airfield with either a potential Transaction or sale of Airfield.

(o) On October 30, 2018, FLRish retained FMI to act as a financing agent by entering into the FMI Agency Agreement in connection with the CD Unit Offering.

(p) On November 27, 2018, Lineage terminated the Herbiculture LOI with Quinsam by entering into the Herbiculture LOI Termination Agreement.

(q) In connection with the Transaction, FLRish has contemplated pursuing a private placement offering of its securities to occur immediately prior to the Transaction, being the Concurrent Offering, whereby FMI may be engaged by FLRish as agent or co-agent.

(r) Foglers has been retained by Lineage to provide general corporate and commercial legal services and is acting on behalf of Lineage in connection with the Transaction. Mr. Szweras is a partner of Foglers.

Fees Earned by Foundation Companies, Emtra and Peter Bilodeau

The following is a summary of the fees and compensation already earned by Foundation Companies, Emtra and Mr. Bilodeau:

(a) FMICA

i) Pursuant to the Original Lineage/FMICA Consulting Agreement, a monthly fee of C$12,000 was paid by Lineage to FMICA until the agreement was superseded by the Lineage/FMICA Consulting Agreement, a cash fee of $30,000 was paid upon finalization of certain regulatory documents, and FMICA was issued an aggregate of 320,000 Lineage Common Shares at a deemed price of C$0.25 per share upon completion of the listing of Lineage Common Shares on the facilities of the Canadian Securities Exchange as a cannabis company.

Pursuant to the Supplemental Lineage/FMICA Consulting Agreement, a fee in the amount of C$80,000 was paid by Lineage to 1306413 Ontario Ltd., a company owned by the Goomie Trust, and Mr. Bilodeau through FMICA. Each of 1306413 Ontario Ltd. and Mr. Bilodeau subsequently participated in private placement of Lineage whereby 1306413 Ontario Ltd. was issued an aggregate of 180,000 units, and Mr. Bilodeau 140,000 units of Lineage at C$0.25 per unit in exchange for the $80,000. Each unit is comprised of one Lineage Common Share and one warrant to purchase one Lineage Common Share at C$0.325 per common share.

Pursuant to the terms of the Lineage/FMICA Consulting Agreement entered into between Lineage and FMICA, Lineage pays FMICA a monthly fee of C$12,000 which shall continue until the termination of the Lineage/FMICA Consulting Agreement.

Pursuant to the Lineage/FMI M&A Agreement, a fee in the amount of C$63,840 payable through the issuance of Lineage Common Shares to FMICA as directed by FMI, as a result of the acquisition of the Terpene Station dispensaries. The fee was paid through the issuance of an aggregate of 386,909 Lineage Common Shares at a price of C$0.165 per share. The fee was paid under the terms of the Lineage/FMI M&A Agreement.

During the 2018 calendar year, Lineage has paid FMICA, in aggregate: (i) C$174,000 in cash; and (ii) has issued an aggregate of 320,000 Lineage Common Shares in connection with the Original Lineage/FMICA Consulting Agreement, the Supplemental Lineage/FMICA Consulting Agreement, the Lineage/FMI M&A Agreement and the Lineage/FMICA Consulting Agreement.

ii) Pursuant to the terms of the FLRish/FMICA Consulting Agreement, a monthly fee of USD$15,000 has been paid by FLRish to FMICA and shall continue to be paid until the termination of the FLRish/FMICA Consulting Agreement. During the 2018 calendar year, FLRish has paid FMICA USD$135,000 in cash in connection with the FLRish/FMICA Consulting Agreement.

iii) Pursuant to the terms of the Supplemental FLRish/FMICA Consulting Agreement, FLRish has agreed to pay to FMICA an advisory fee in the amount of C$1,000,000 (the "**Supplemental FLRish/FMICA Consulting Agreement Fee**"). As of the date of this Agreement, FLRish has paid FMICA C$630,000 in connection with the Supplemental FLRish/FMICA Consulting Agreement.

iv) Pursuant to the terms of the Altai Consulting Agreement entered into between Altai and FMICA, Altai agreed to pay FMICA an initial one-time fee of C$5,000, a monthly fee of C$8,500, and a merger and acquisition finder fee equal to 6.5% of the value of any transaction involving the sale of LUX. All monthly fees have since been waived by FMICA, however the merger and acquisition finder fee shall remain due and payable pursuant to the terms of the Altai Consulting Agreement. During the 2018 calendar year, Altai has paid FMICA C$5,000 in cash in connection with the Altai Consulting Agreement.

(b) FMI

i) Pursuant to the terms of the FMI Agency Agreement and in connection with the CD Unit Offering, FLRish paid a cash commission of C$992,154, equal to 7% of the gross proceeds raised by FMI in Canada, C$52,337 of which was paid to Emtra. Additionally, FLRish issued 143,790 broker warrants to FMI.

(c) Branson

i) Pursuant to the terms of a management services agreement between Branson Inc. and Lineage, Lineage paid Branson Inc. a monthly fee of C$8,000 plus costs as agreed by the parties for additional corporate secretarial services offered to Lineage at its request, but not forming part of the agreement. The management services agreement terminated on December 1, 2018 and Lineage entered into a new management services agreement with Branson Ltd. on the same terms. During the 2018 calendar year, Lineage has paid Branson Corporate Services Inc a total of C$130,463.76, inclusive of a C$10,000 bonus to Keith Li, CFO to Lineage.

(d) Quinsam

i) Pursuant to the terms of the Herbiculture LOI Termination Agreement entered into between Lineage and Quinsam, Lineage issued Quinsam 200,000 Lineage Common Shares at a per share price of C$0.19.

(e) Foglers

i) As of February 6, 2019, an aggregate of C$142,037.65 (excluding taxes and disbursements) has been paid or is payable by Lineage to Foglers in connection with the Transaction, and the transactions between Lineage and each of Altai, LUX and Agris Farms.

Restated Fee Agreement

The Foundation Companies, Peter Bilodeau, Adam Szweras, FLRish and Lineage entered into a restated fee agreement dated February 6, 2019 (the "**Restated Fee Agreement**") confirming and restating certain of the compensation arrangements due and payable in connection with the transactions relating to or arising from Lineage, FLRish, LUX, Altai, Agris Farms, or Airfield, and the transactions with each of the respective parties.

Fees and Commissions Remaining Payable

The Restated Fee Agreement confirms that the following fees and compensation remain to be payable::

(a) **Supplemental FLRish/FMICA Consulting Agreement.** Pursuant to the terms of the Supplemental FLRish/FMICA Consulting Agreement, FLRish shall pay the balance of the FLRish FMICA Consulting Agreement Fee to FMICA. For greater certainty the balance amount is payable as follows; (i) C$300,000 payable upon the first submission of a listing statement related to the Transaction to the Canadian Securities Exchange; (ii) C$70,000 payable upon the commencement of the Concurrent Offering; and (iii) 143,790 compensation warrants in the capital of FLRish issued to FMICA. Each warrant is exercisable into one common share in the capital of FLRish at a deemed price of C$6.90 per share.

(b) **Going Public Stock Success Fee**. Immediately prior to the closing of the Transaction and in connection with the FLRish/FMICA Consulting Agreement, FLRish shall pay a stock success fee to FMICA in the form of common shares in the capital of FLRish (the "**Going Public Stock Success Fee**"). The Going Public Stock Success Fee shall be exchanged for Subordinated Voting Shares in the capital of the Resulting Issuer in connection to the Transaction. The final amount of the Going Public Stock Success Fee shall be based on the calculation described below.

(c) **Agris Farms Acquisition.** Upon closing of the Agris Farms Acquisition, the Resulting Issuer shall pay FMI a success fee in the amount of 50,887 Subordinate Voting Shares in the capital of the Resulting Issuer at a deemed price ofC $6.90 per share.

(d) **LUX Acquisition**. As per the Altai Consulting Agreement, 6.5% of the transaction value is payable in cash on closing of the LUX Acquisition. The Resulting Issuer shall pay FMICA a success fee in the amount of 25,689 Subordinate Voting Shares. Altai shall be liable for a payment to FMICA of 41,967 Subordinate Voting Shares upon the close of such transaction satisfied. The payment due from Altai shall not increase the price due and payable by the Resulting Issuer. Additionally, upon closing of the LUX Acquisition, the Resulting Issuer shall make the following payments to certain arm's length third party finders: i) an aggregate of USD$100,000, comprised of USD$50,000 paid in cash and USD$50,000 paid through the issuance of Subordinate Voting Shares at a deemed price of $6.90 per share, and ii) USD$54,000 shall be payable through the issuance of Subordinate Voting Shares at a deemed price of C$6.90 per share. Each US dollar referenced in this paragraph shall be exchanged at a rate of C$1.33.

(e) **Airfield Acquisition**. Upon the closing of the Airfield acquisition by Lineage, Airfield shall be liable to FMICA for a cash fee (the "**Airfield M&A Fee**") equal to 4% of the gross purchase price of Airfield (the "**Airfield Purchase Price**"). FMICA agrees to credit FLRish, in escrow or in such other manner as FLRish may determine, in its sole discretion, an amount equal to the Airfield M&A Fee Discount (as defined below).

(f) **FLRish/FMICA Consulting Agreement**. Pursuant to the terms of the FLRish/FMICA Consulting Agreement, FLRish shall pay FMICA a monthly fee of USD$15,000 until the completion of the Transaction.

(g) **Lineage/FMICA Consulting Agreement**. Pursuant to the terms of the Lineage/FMICA Consulting Agreement entered into between Lineage and FMICA, Lineage shall pay FMICA a monthly fee of C$12,000 which shall continue until the completion of the Transaction.

(h) **Other.** Pursuant to section 1(d)(i) the letter of intent entered into between Lineage and FLRish dated August 12, 2018, the Resulting Issuer shall, upon close of the Transaction, issue to FMICA 22,235 Subordinate Voting Shares at a per share price of C$6.90 per Resulting Issuer Share for FMICA's services rendered on behalf of Lineage related to proposed but discontinued acquisitions.

Termination of Agreements as of the Closing of the Transaction

The Restated Fee Agreement confirms that the following agreements will be terminated upon closing of the Transaction:

(a) Original Lineage/FMICA Consulting Agreement;

(b) Emtra Consulting Agreement;

(c) Emtra Letter Agreement;

(d) FLRish/FMICA Consulting Agreement;

(e) Lineage/FMI M&A Agreement;

(f) Lineage/FMICA Consulting Agreement; and

(g) Supplemental FLRish/FMICA Consulting Agreement

FLRish Going Public Value Calculation

The Restated Fee Agreement provides that the "**FLRish Going Public Value**" shall be determined by multiplying the Concurrent Offering Price by the FLRish Going Public Shares Outstanding.

The “**FLRish Going Public Shares Outstanding**” is the number of all of the issued and outstanding shares in the capital of FLRish immediately prior to the closing of the Transaction and: (i) up to 1,000,000 Series A common shares underlying options issued pursuant to the anti-dilution provisions of Subsection 1.2.2 of the amended and restated articles of incorporation of FLRish (the “**FLRish Anti-Dilution Shares**”).; (ii) up to 425,000 options originally issued as Incentive Stock Options if such options remain unexercised at the time of close; and (iii) up to 769,000 shares underlying contingent direct stock grants to FLRish executives that are either issued at the time of close or remain outstanding and issuable upon the occurrence of certain contingences.

To the extent that the FLRish Anti-Dilution Shares take the form of common share purchase options in the capital of FLRish (“**FLRish Anti-Dilution Options**”); up to 1,000,000 of the FLRish Anti-Dilution Options issued will be counted towards the calculation of the FLRish Going Public Shares Outstanding.

To the extent that the Concurrent Offering is undertaken prior to the Transaction, the number of FLRish Going Public Shares Outstanding shall include the securities issued pursuant to the Concurrent Offering.

Going Public Stock Success Fee Calculation

The Restated Fee Agreement provides that the dollar value of the “**Going Public Stock Success Fee**” shall be determined as follows:

FLRish Going Public Value (amounts in CAD millions)	**Going Public Stock Success Fee**
$0 - 100	1.5%
$100 - 200	1.0%
$200 +	0.5%

The amounts listed above are graduated, and cumulative on a per-transaction basis, whereby 1.5% is charged on the first CAD $100 million of value, 1.0% is charged on the second CAD $100,000, and 0.5% is charged on any amount in excess of CAD $200 million.

The number of FLRish Shares to be issued to satisfy the Going Public Stock Success Fee shall be determined by dividing the dollar value of the Going Public Stock Success Fee by the Concurrent Offering Price.

Tax Treatment.

The Restated Fee Agreement provides that to the extent that the Going Public Stock Success Fee is issued to FMICA by FLRish, immediately prior to the Transaction, it is expected that the Going Public Stock Success Fee will not be subject to Harmonized Sales Tax of 13%.

Airfield Fee Discount

The Restated Fee Agreement provides that the Airfield M&A Fee Discount is to be determined as follows:

- The Airfield Purchase Price multiplied by 4% equals the “**Original Airfield M&A Fee**”;

- the first USD $10,000,000 of value of the Airfield Purchase Price multiplied by 2.5%, plus any value of the Airfield Purchase Price in excess of USD $10,000,000 multiplied by 2%, equals, in the aggregate, the “**Fully Reduced Airfield M&A Fee**”; and

- (ii) the Original Airfield M&A Fee minus the Fully Reduced Airfield M&A Fee, divided by 2, equals the “**Airfield M&A Fee Discount**”.

See Item 3.1 – *General Development of the Business – Lineage – Pipeline Acquisitions*, Item 3.1 – *General Development of the Business – FLRish – Pipeline Acquisitions*, Item 3.1 – *General Development of the Business – The Transaction*, Item 13.10 – *Directors and Officers – Conflicts of Interest* and Item 23 – *Interest of Experts* for further details.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditor of the Corporation is MNP LLP, Chartered Professional Accountants at its office located at Suite 300, 111 Richmond St. W, Toronto, ON M5H 2G4. Effective March 29, 2019, UHY McGovern Hurley LLP resigned as auditor of the Corporation and MNP LLP was appointed to conduct audit services for the Corporation. In accordance with section 4.11 of NI 51-102, the Corporation filed the "reporting package" on SEDAR under the Corporation's profile.

The auditor of FLRish is MGO LLP, Chartered Professional Accountants at its office located at 111 Sacramento, California, USA.

The auditor of Harborside Oakland and Harborside San Jose is MGO LLP, Chartered Professional Accountants at its office located at 111 Sacramento, California, USA.

The auditor of the Resulting Issuer will be MNP LLP, Chartered Professional Accountants at its office located at 111 Richmond St W #300, Toronto, ON M5H 2G4, Canada.

21.2 Transfer Agent and Registrar

The transfer agent and registrar of the Lineage Common Shares is, and the transfer agent and registrar of the Resulting Issuer Shares will be OTC at its offices at Victoria Tower, 25 Adelaide St East, Suite 1717, Toronto ON M5C 3A1, Canada.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, the Corporation has entered into the following material contracts, other than contracts entered into in the ordinary course of business:

(a) the Definitive Agreement;

(b) the Trust Indenture;

(c) the debenture indenture dated as of February 6, 2019 governing an aggregate of C$8,624,000 principal amount of FLRish Convertible Debentures, which were issued in settlement of certain debts of FLRish;

(d) the Warrant Indenture;

(e) the FMI Agency Agreement;

(f) the Airfield LOI;

(g) the Engagement Letter;

(h) the Merger Option Agreements;

(i) promissory note dated November 16, 2018 issued in connection with the Bridge Loan;

(j) membership interest purchase agreement between Lineage, LUX and shareholders of LUX dated •, 2019;

(k) membership interest purchase agreement between Lineage, Agris Farms and members of Agris Farms dated November 20, 2018;

(l) Branson Agreement. Please see Item 15 – *Executive Compensation – Termination and Change of Control Benefits* and Item 15 – *Executive Compensation – Management Contracts* for details of the Branson Agreement;

(m) Regulatory Escrow Agreement with AST Trust Company and certain shareholders of Lineage dated February 27, 2018; and

(n) Agreements relating to FMI and FMICA compensation (please see Item 20 – *Interest of Management and Other Material Transactions - Restated Fee Agreement):*

1. Restated Fee Agreement;
2. Original Lineage/FMICA Consulting Agreement;
3. Emtra Consulting Agreement;
4. Emtra Letter Agreement;
5. FLRish/FMICA Consulting Agreement;
6. Lineage/FMI M&A Agreement;
7. Lineage/FMICA Consulting Agreement; and
8. Supplemental FLRish/FMICA Consulting Agreement.

22.2 Special Agreements

This Item is not applicable to the Corporation.

23. INTEREST OF EXPERTS

The financial statements of Lineage included in this Listing Statement have been audited by UHY McGovern Hurley LLP, as set forth in their audit reports. UHY McGovern Hurley LLP are the independent auditors of Lineage and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

The financial statements of FLRish included in this Listing Statement have been audited by MGO LLP, as set forth in their audit reports. MGO LLP are the independent auditors of FLRish and are independent within the meaning of the Rules of Professional Conduct of the American Institute of Certified Public Accountants.

The financial statements of Harborside Dispensaries included in this Listing Statement have been audited by MGO LLP, as set forth in their audit reports. MGO LLP are the independent auditors of Harborside Oakland and are independent within the meaning of the Rules of Professional Conduct of the American Institute of Certified Public Accountants.

Other than as disclosed in Item 13.10 – *Directors and Officers – Conflicts of Interest* and Item 20 – *Interest of Management and Others in Material Transactions* regarding the interest of Mr. Peter Bilodeau, no person or company who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement has, or will have immediately following completion of the proposed Transaction, any direct or indirect interest in Lineage, FLRish, or the Resulting Issuer.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Corporation or its respective securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Corporation and its respective securities.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of Lineage

Schedule "A" contains copies of all financial statements including the auditor's reports, where applicable, prepared and filed under applicable securities legislation for the preceding two years, and interim financial statements for the nine months ended October 31, 2018.

25.2 Financial Statements of FLRish

Schedule "B" contains copies of all financial statements including the auditor's reports, where applicable, prepared and filed under applicable securities legislation for the preceding two years, and interim financial statements for the nine months ended September 30, 2018.

25.3 Financial Statements of Harborside Dispensaries

Schedule "C" contains copies of all financial statements including the auditor's reports, where applicable, prepared and filed under applicable securities legislation for the preceding two years, and interim financial statements for the nine months ended September 30, 2018.

25.4 Pro-forma Financial Statements of the Resulting Issuer

Schedule "D" contains Pro Forma Consolidated Financial Statements of the Resulting Issuer as at October 31, 2018.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Lineage Grow Company Ltd., hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Lineage Grow Company Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this • day of •, 2019.

"Peter Bilodeau"	*"Keith Li"*
Peter Bilodeau Chief Executive Officer	Keith Li Chief Financial Officer
"• "	"• "
Director	Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to FLRish, Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at •, California this • day of •, 2019.

"Andrew Berman"	"• "
Andrew Berman Chief Executive Officer	Chief Financial Officer
"• "	"• "
Director	Director

"Roger Jenkins"

Roger Jenkins
Promoter

SCHEDULE “A”
FINANCIAL STATEMENTS OF LINEAGE

LINEAGE GROW

COMPANY LTD.

(formerly Lakeside Minerals Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Lineage Grow Company Ltd. (formerly Lakeside Minerals Inc.) are the responsibility of the management and Board of Directors of the Company.

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

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

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

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

"Peter Bilodeau"	*"Keith Li"*
Peter Bilodeau	Keith Li
Chief Executive Officer	Chief Financial Officer

UHY McGovern Hurley LLP
Chartered Professional Accountants

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Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lineage Grow Company Ltd.

We have audited the accompanying consolidated financial statements of Lineage Grow Company Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lineage Grow Company Ltd. and its subsidiaries as at January 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 29, 2018

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at January 31, 2018	As at January 31, 2017
	$	$
Assets		
Current Assets		
Cash	**4,347,368**	606,695
HST receivables (Note 4)	**63,152**	14,806
Prepaid expenses	**118,281**	833
Total Assets	**4,528,801**	622,334
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**664,191**	113,190
Convertible debentures (Note 7)	**-**	52,316
Total Current Liabilities	**664,191**	165,506
Non-Current Liabilities		
Convertible debentures (Note 7)	**2,166,863**	-
Derivative liabilities (Note 7)	**1,510,831**	-
Total Liabilities	**4,341,885**	165,506
Shareholders' Equity		
Share capital (Note 8)	**5,692,180**	4,838,430
Shares to be issued (Notes 8 and 15)	**1,110,122**	-
Conversion component of convertible debentures (Note 7)	**8,824**	8,824
Reserve for warrants (Note 9)	**1,223,176**	907,417
Reserve for share-based payments (Note 10)	**72,638**	31,175
Accumulated other comprehensive income	**1,006**	-
Accumulated deficit	**(7,921,030)**	(5,329,018)
Total Shareholders' Equity	**186,916**	456,828
Total Liabilities and Shareholders' Equity	**4,528,801**	622,334

Going concern (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Peter Bilodeau" (signed)
CEO and Director

"Aurelio Useche" (signed)
Director

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Loss and Comprehensive Loss
For the years ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Expenses		
Management, consulting fees and salaries (Note 11)	**325,951**	87,804
Professional fees (Note 11)	**427,844**	31,170
Stock-based compensation (Note 10)	**46,912**	31,175
Share-based payments (Note 15)	**254,606**	-
Office and general	**151,773**	52,564
Exploration and evaluation expenditures (Note 5)	**19,172**	53,858
Loss before the Undernoted	**(1,226,258)**	(256,571)
Interest and other income	**8,054**	53
Net gain on extension of convertible debentures	**-**	6,007
Fair value changes in derivative liabilities (Note 7)	**(1,227,612)**	-
Finance cost (Notes 7 and 8)	**(146,196)**	(21,949)
Net Loss	**(2,592,012)**	(272,460)
Other Comprehensive Income		
Exchange gain on translation of foreign operations	**1,006**	-
Total Comprehensive Loss	**(2,591,006)**	(272,460)
Weighted Average Number of Shares Outstanding		
Basic and Diluted	**32,625,808**	10,537,500
Net Loss per Share		
Basic and Diluted	**(0.079)**	(0.026)

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)
Consolidated Statements of Cash Flows
For the years ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Operating Activities		
Net loss for the year	**(2,592,012)**	(272,460)
Adjustments for non-cash items:		
Finance cost (Notes 7 and 8)	**146,196**	21,949
Fair value changes in derivative liabilities (Note 7)	**1,227,612**	-
Stock-based compensation (Note 10)	**46,912**	31,175
Share-based payments (Note 15)	**254,606**	-
Gain on extension of convertible debentures	**-**	(6,007)
	(916,686)	(225,343)
Changes in non-cash working capital:		
HST and other receivables (Note 4)	**(48,346)**	12,834
Prepaid expenses	**(43,063)**	(833)
Accounts payable and accrued liabilities (Note 6)	**519,891**	(253,651)
Cash Flows (Used in) Operating Activities	**(488,204)**	(466,993)
Financing Activities		
Proceeds from private placements (Note 8)	**1,185,000**	1,100,000
Share issue costs (Note 8)	**(95,129)**	(27,842)
Proceeds received on subscriptions (Note 8)	**855,516**	-
Proceeds from convertible debentures financing (Note 7)	**2,500,000**	-
Issuance costs of convertible debentures (Note 7)	**(280,815)**	-
Proceeds from exercise of warrants (Note 8)	**63,299**	269
Cash Flows Provided by Financing Activities	**4,227,871**	1,072,427
Increase in cash	**3,739,667**	605,434
Effects of foreign exchange on cash	**1,006**	-
Cash, beginning of year	**606,695**	1,261
Cash, end of year	**4,347,368**	606,695

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

LINEAGE GROW COMPANY LTD. (formerly Lakeside Minerals Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the years ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Shares to be Issued	Conversion Component of Convertible Debentures	Warrants	Share-Based Payments	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$	$	$	$	$
Balance, January 31, 2016	**8,248,405**	**3,720,304**	**-**	**6,002**	**712,901**	**160,374**	**(5,056,558)**	**-**	**(456,977)**
Issued for cash consideration:									
Private placement (Note 8)	22,000,000	1,100,000	-	-	-	-	-	-	1,100,000
Warrants issued on private placement	-	(220,000)	-	-	220,000	-	-	-	-
Share issuance costs	-	(21,655)	-	-	(6,187)	-	-	-	(27,842)
Warrants exercised (Note 9)	892	273	-	-	(4)	-	-	-	269
Issued for non-cash consideration:			-					-	-
Issued for settlement of debt	1,596,818	79,841	-	-	(15,968)	-	-	-	63,873
Warrants issued for debt settlements	-	-	-	-	15,968	-	-	-	15,968
Equity component of convertible debentures (Note 7)	-	-	-	2,822	-	-	-	-	2,822
Warrants expired (Note 9)	-	19,293	-	-	(19,293)	-	-	-	-
Stock options exercised (Note 10)	-	-	-	-	-	31,175	-	-	31,175
Stock options expired (Note 10)	-	160,374	-	-	-	(160,374)	-	-	-
Net loss for the year	-	-	-	-	-	-	(272,460)	-	(272,460)
Balance, January 31, 2017	**31,846,115**	**4,838,430**	**-**	**8,824**	**907,417**	**31,175**	**(5,329,018)**	**-**	**456,828**
Issued for cash consideration:									
Private placement (Note 8)	4,740,000	1,185,000	-	-	-	-	-	-	1,185,000
Warrants issued on private placement (Note 9)	-	(453,586)	-	-	453,586	-	-	-	-
Finders' warrants issued on private placement (Note 9)	-	-	-	-	69,258	-	-	-	69,258
Share issuance costs	-	(120,791)	-	-	(74,705)	-	-	-	(195,496)
Shares to be issued (Notes 8 and 15)	-	-	1,110,122						1,110,122
Warrants exercised (Note 8)	610,995	74,918	-	-	(11,620)	-	-	-	63,298
Issued for non-cash consideration:									
Issued for debenture interest (Notes 7 and 8)	1,200,000	42,000	-	-	-	-	-	-	42,000
Warrants expired (Note 9)	-	120,760	-	-	(120,760)	-	-	-	-
Stock-based compensation (Note 10)	-	-	-	-	-	46,912	-	-	46,912
Stock options expired (Note 10)	-	5,449	-	-	-	(5,449)	-	-	-
Exchange gain on translating foreign operation	-	-	-	-	-	-	-	1,006	1,006
Net loss for the year	-	-	-	-	-	-	(2,592,012)	-	(2,592,012)
Balance, January 31, 2018	**38,397,110**	**5,692,180**	**1,110,122**	**8,824**	**1,223,176**	**72,638**	**(7,921,030)**	**1,006**	**186,916**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lineage Grow Company Inc. ("Lineage" or the "Company" formerly known as Lakeside Minerals Inc.) is involved in developing cannabis cultivation facilities, manufacturing and distributing cannabis, and assisting state-licensed operators engaged in the cultivation, manufacture and distribution of cannabis in states throughout the United States ("US") where medical and/or adult use of cannabis is legal under state law. The Company was previously engaged in the acquisition, exploration and development of mineral resource properties in Canada. On July 25, 2017, the Company through an Article of Amendment, changed its name to Lineage Grow Company Ltd. to reflect the change of business to focus in the cannabis industry in the US. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1, Canada.

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

The Company also continued to hold mining claims in Quebec and has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory, social and environmental requirements.

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

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

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on May 29, 2018.

2.2 Basis of Measurement

The consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

2.3 Basis of Consolidation

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

(i) Incorporated on July 21, 2017 in the State of Nevada.
(ii) Incorporated on August 14, 2017 in the State of Nevada.
(iii) Incorporated on January 8, 2018 in the State of Oregon.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

2.4 Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Derivative liabilities

The conversion feature and the warrants component of convertible debentures which contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company’s common shares. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature of the convertible debentures is required to be measured at fair value at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management’s best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Income taxes (continued)

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

Cash comprises bank balances held in Canadian chartered banks and funds held in trust with the Company's legal counsel which is available on demand.

3.2 Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value at each reporting date with realized gains and losses recognized through profit or loss. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has not classified any financial assets at FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost at each reporting date using the effective interest ("EI") method as described below. The Company's cash is classified as loan and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

3.3 Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EI method. The EI method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EI rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payables and accrued liabilities and convertible debentures are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in net loss. As at January 31, 2018, the Company had not classified any financial liabilities as FVTPL, except for the embedded derivative liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Fair Value Hierarchy

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

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

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

3.5 Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EI rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3.6 Mineral Properties

Acquisition and exploration costs, net of incidental revenues, are expensed in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

3.7 Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the EI method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the EI method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss. Upon expiry, the equity component is transferred to deficit.

The conversion feature and the warrants component which do not meet equity classification, as they contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The effect is that the convertible debentures are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Income Taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3.9 Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve of the Company's equity. On expiry, the fair value of the warrants is transferred to share capital.

3.10 Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3.11 Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. For the years ended January 31, 2018 and 2017, no potential shares are included in the computation as they are anti-dilutive.

3.12 Share-Based Payments

Equity-settled share-based payments to employees (including directors and officers) are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to reserves for share-based payments. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized on the consolidated statement of loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Share-Based Payments (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments are transferred to share capital. On expiry, the recorded fair value of the options is transferred to share capital.

3.13 Decommissioning and Restoration Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at January 31, 2018 and 2017, the Company had no decommissioning and restoration obligations as no provision for restoration was necessary.

3.14 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at January 31, 2018 and 2017, the Company had no material provisions.

3.15 Foreign Currency Transactions

Functional and presentation currency

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of Lineage and the Canadian subsidiaries is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of all US subsidiaries is the US Dollar (“USD”).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Foreign Currency Transactions (continued)

Transactions and balances (continued)

The results and financial position of all the entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate in effect on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to accumulated other comprehensive income (loss). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of loss as part of the gain or loss on sale.

3.16 Changes in Accounting Policies

The Company adopted the following standards, effective February 1, 2017. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's consolidated financial statements:

IAS 7 – Statement of Cash Flows ("IAS 7")

IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 – Income Taxes ("IAS 12")

IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

3.17 Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on the Company's consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Recent Accounting Pronouncements (continued)

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

IFRS 15 proposes to replace IAS 18 – Revenue, IAS 11 – Construction Contracts and some revenue-related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – *Leases* as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

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

IFRIC 22 was issued on December 8, 2016. IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

(Expressed in Canadian Dollars)

4. HST RECEIVABLES

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

5. EXPLORATION AND EVALUATION EXPENDITURES

The Company was engaged, in acquiring, exploring, and developing mineral properties in the jurisdiction of Quebec, and continues to hold mining claims in Quebec. As at January 31, 2018, the Company holds one main property, the Launay Property, for which the Company had incurred exploration and evaluation expenditures of $19,172 during the year ended January 31, 2018 (2017 – $53,858).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	January 31, 2018	January 31, 2017
	$	$
Less than 90 days	**388,938**	79,549
Greater than 90 days	**275,253**	33,641
	664,191	113,190

7. CONVERTIBLE DEBENTURES

SIDEX Debentures

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

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

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

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

7. CONVERTIBLE DEBENTURES (continued)

Convertible Debentures

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

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

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

The Convertible Debentures rank pari passu and mature 24 months from the closing date and are convertible at the option of the debenture holders at any time prior to the maturity date into common shares of the Company at a conversion price of $0.25 per share. The Convertible Debentures bear interest at a rate of 12.0% per annum, payable semi-annually in advance, with the first two interest payments paid from the issuance of 1,200,000 common shares of the Company at an issue price of $0.25 per common share (see Note 8). The Company may elect to satisfy its obligation to pay interest on the Convertible Debentures by issuing common shares to the debenture holders at a price of $0.25 per common share.

On closing of the Convertible Debentures offering, the Company placed the proceeds in escrow to be released upon the satisfaction of certain conditions. Subsequent to year-end, the release conditions for the escrow had been revised (see Note 17 for details).

The conversion price of the Convertible Debentures was subject to the following adjustments:

- If the Company completes an equity financing, within eight months (amended to nine months by the Company as of February 1, 2018; see Note 17) of the date of the offering, at a price less than $0.30 per common share (the "Equity Financing Price"), the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to a price equal to a 20% discount to the Equity Financing Price; and

- If the Company completes an equity financing, at any time that the Convertible Debentures remain outstanding, at an Equity Financing Price of less than $0.25 per common share, the conversion price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Equity Financing Price.

The warrant exercise price was subject to the following adjustment:

- If the Company issues warrants, at any time that the Convertible Debentures remain outstanding, with an exercise price of less than $0.325 (the "Equity Financing Warrant Price"), the warrant exercise price shall be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such Equity Financing Warrant Price.

Pursuant to the amended terms of the Convertible Debentures, as the Company closed the concurrent financing within nine months of issuance of the Convertible Debentures at an Equity Financing Price of $0.25 on January 24, 2018 (see Note 8), the conversion price of the Convertible Debentures was amended from $0.25 to $0.20.

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

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES (continued)

The following table reflects the changes to the convertible debentures:

	$
Balance, January 31, 2016	**39,196**
Change in value of convertible debenture on extension	(8,829)
Gain on settlement of convertible debenture	6,007
Interest accrued	(6,000)
Interest expense	6,026
Accretion expense	15,916
Balance, January 31, 2017	**52,316**
Issuance of Convertible Debentures	2,500,000
Transaction costs relating to convertible debentures – cash	(254,287)
Estimated fair value of derivative liability on date of issuance	(149,079)
Estimated valuation of warrant liability on date of issuance	(134,140)
Interest and accretion expense	302,053
Interest paid from shares issued on November 12, 2017 (Note 8)	(150,000)
Balance, January 31, 2018	**2,166,863**

The changes to the embedded derivative liabilities are as follows:

	$
Balance, January 31, 2017	**-**
Estimated fair value of derivative liability on date of issuance	283,219
Estimated fair value changes of derivative liabilities during the year	1,227,612
Balance, January 31, 2018	**1,510,831**

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

	January 31, 2018	**May 12, 2017**
Valuation date share price	$0.154	$0.035
Conversion price	$0.20	$0.25
Exercise price	$0.325	$0.325
Expected life	1.28 years	2 years
Volatility (1)	131%	157%
Risk-free interest rate	1.61%	0.68%

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

8. SHARE CAPITAL

Authorized share capital

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

Share capital transactions for the year ended January 31, 2018

On May 12, 2017, the Company issued 600,000 common shares at a price of $0.25 per common share, to satisfy the first semi-annual interest payment for the Convertible Debentures. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time.

8. SHARE CAPITAL (continued)

Share capital transactions for the year ended January 31, 2018 (continued)

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

On November 12, 2017, the Company issued another 600,000 common shares at a price of $0.25 per common share, to satisfy the second semi-annual interest payment for the Convertible Debentures. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time.

On November 21, 2017, the Company issued 600,000 common shares as a result of the exercise of warrants for cash proceeds of $60,000. The warrants were exercised at a weighted-average exercise price of $0.10 per warrant.

On January 24, 2018, the Company closed its first tranche ("Tranche 1") of a brokered private placement financing, consisting of 4,740,000 units at a price of $0.25 per unit, for gross proceeds of $1,185,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date, as disclosed in Note 9. In conjunction with the brokered private placement, the Company also paid finders' fee of $94,800 and issued 379,200 finders' warrants (see Note 9).

As at January 31, 2018, the Company had received total proceeds of $855,516 in relation to subscription funds on Tranches 2 to 4 of the brokered private placement financing which closed subsequent to year-end (see Note 17 for details).

Share capital transactions for the year ended January 31, 2017

On November 9, 2016, the Company completed the consolidation of its outstanding common shares on a ratio of three (3) old shares for one (1) new share. The number of shares, options, warrants, convertible instruments and per share amounts have been adjusted for the effects of the consolidation for the years ended January 31, 2018 and 2017.

On November 16, 2016, the Company closed its first tranche of a non-brokered private placement, consisting of 8,200,000 units at a price of $0.05 per unit, for gross proceeds of $410,000. Each unit consists of one common share and one-half (1/2) of one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.10 per common share for a period of 12 months after the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to November 16, 2018 (see Note 9 for details).

On December 9, 2016, the Company closed its final tranche of the non-brokered private placement, consisting of 13,800,000 units at a price of $0.05 per unit, for gross proceeds of $690,000 and together with the first tranche raised an aggregate of 22,000,000 units for total gross proceeds of $1,100,000. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.10 per common share for a period of 12 months after the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to December 9, 2018 (see Note 9 for details).

On December 12, 2016, the Company entered into shares-for-debt agreements totaling $79,841. A total of 1,036,818 units valued at $51,840, were issued to unrelated parties for settlement of debt, and 560,000 units valued at $28,000 were issued to a law firm, where a director of the Company is a partner, for outstanding fees. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to acquire one common share at a price of $0.10 per common share for a period of one year from the closing date. On November 10, 2017, the expiry date of these warrants was extended for a 12-month period to December 12, 2018 (see Note 9).

(Expressed in Canadian Dollars)

9. RESERVE FOR WARRANTS

Warrant activities for the years ended January 31, 2018 and 2017 are summarized as follows:

	Number of warrants	Weight average exercised price
	#	$
Balance, January 31, 2016	**2,845,403**	0.45
Issued	11,798,409	0.10
Exercised	(298)	0.30
Balance, January 31, 2017	**14,643,514**	**0.17**
Issued (i)	10,000,000	0.325
Issued (i)	400,000	0.25
Issued (ii)	4,740,000	0.325
Issued (ii)	379,200	0.25
Expired	(2,019,296)	0.30
Exercised	(603,665)	0.10
Balance, January 31, 2018	**27,539,753**	**0.25**

(i) On May 12, 2017, in conjunction with the Convertible Debentures offering, the Company issued 10,000,000 warrants at an exercise price of $0.325 per share and 400,000 broker warrants at an exercise price of $0.25 per share (see Note 7).

(ii) In conjunction with the brokered private placement financing closed on January 24, 2018 (see Note 8), the Company issued 4,740,000 warrants at an exercise price of $0.325 per share for a period of 24 months after the closing date. In addition, the Company also issued 379,200 finders' warrants which entitle holder to purchase one unit at a price of $0.25 per unit, exercisable until January 24, 2020.

The Company used the Black-Scholes valuation model to estimate the fair value of the warrants issued during the years ended January 31, 2018 and 2017based on the following assumptions:

Issuance date	January 24, 2018	January 24, 2018	2017
Number of warrants	4,740,000	379,200	11,798,409
Exercise price	$0.325	$0.25	$0.10
Expected life of warrants	2 years	2 years	1 year
Expected volatility (2)	155%	155%	246% - 261%
Risk-free interest rate	1.81%	1.81%	0.66% - 0.74%
Fair value	$453,586	$69,258	$235,968

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

(Expressed in Canadian Dollars)

9. RESERVE FOR WARRANTS (continued)

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

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
March 26, 2018	488,811	1.20	0.15
November 16, 2018 (iii)	3,500,000	0.10	0.79
December 9, 2018 (iii)	6,900,000	0.10	0.85
December 12, 2018 (iii)	798,409	0.10	0.86
May 12, 2019	10,000,000	0.325	1.28
May 12, 2019	400,000	0.25	1.28
January 24, 2020	4,740,000	0.325	1.98
January 24, 2020	379,200	0.25	1.98
	27,539,753	**0.25**	**1.21**

(iii) On November 10, 2017, the Company announced a term extension of the share purchase warrants previously issued pursuant to private placements on November 16, 2016 and December 9, 2016, as well as a debt settlement on December 12, 2016. For all unexercised warrants by their original expiry date, the expiry was extended for a further 12-month period, to November 16, 2018, December 9, 2018 and December 12, 2018, respectively. This extension is subject to an 8-month legend for resale of the shares beginning on the original expiry date.

10. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the aggregate number of shares outstanding. As at January 31, 2018, the Company has 924,711 common shares that are issuable under the Plan. The exercise price and vesting terms are determined by the Board of Directors.

Stock options activities for the years ended January 31, 2018 and 2017 are summarized as follows:

	Number of options	Weight average exercised price
	#	$
Balance, January 31, 2016	**12,500**	**4.80**
Granted (i)	3,170,000	0.10
Expired	(12,500)	4.80
Balance, January 31, 2017	**3,170,000**	**4.80**
Cancelled	(85,000)	0.10
Expired	(170,000)	0.10
Balance, January 31, 2018	**2,915,000**	**0.10**

(i) On December 12, 2016, the Company granted 3,170,000 options exercisable at $0.10 to directors, officers and consultants under the following terms:

- 2,455,000 options vested 1/6 on grant and 1/6 every six months, expiring on December 12, 2021.
- 460,000 options vested immediately on grant, expiring on December 12, 2021;
- 85,000 options vested immediately on grant, expiring on May 18, 2018; and
- 170,000 options vested immediately on grant, expiring on December 12, 2017.

(Expressed in Canadian Dollars)

10. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The Company used the Black-Scholes valuation model to estimate the grant date fair value of the options granted during the year ended January 31, 2017 using the following assumptions:

	December 22, 2016
Valuation date share price	\$0.035
Exercise price	\$0.40
Expected life	1 – 5 years
Volatility (3)	214% – 260%
Risk-free interest rate	0.74% – 0.96%

(3) Expected volatility is based on historical volatility.

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

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining life
	#	#	\$	Years
May 18, 2018	85,000	85,000	0.10	0.29
December 12, 2021	2,370,000	1,185,000	0.10	3.87
December 12, 2021	460,000	460,000	0.10	3.87
	2,915,000	**1,730,000**	**0.10**	**3.56**

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel compensation

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

On October 15, 2010, the Company and FMI Capital Advisory Inc. ("FMICA") entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, a director, President and CEO of Lineage, is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras, the Corporate Secretary of the Company, is a director and whereas his minor children hold an indirect interest. For the year ended January 31, 2018, the Company was charged \$159,000 (2017 – \$24,000) for consulting services provided by FMICA. As at January 31, 2018, an amount of \$87,033 (January 31, 2017 – \$nil) owing to FMICA was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended January 31, 2018, the Company recorded consulting fees of \$64,000 (2017 – \$nil), included in management, consulting fees and salaries, for services rendered by the Chief Executive Officer ("CEO") to the Company. As at January 31, 2018, \$80,825 (January 31, 2017 – \$nil) owing to the CEO was included in accounts payable and accrued liabilities.

On March 1, 2014, the Company and Branson Corporate Services Inc. ("Branson") entered into a management services agreement, providing for Chief Financial Officer services to the Company, as well as other accounting and administrative services. Branson is an entity in which FFHC owns 49% of the shares. In consideration for the services provided, the Company agreed to pay a monthly fee of \$5,000. Effective September 1, 2017, the fees were amended so that the monthly fee was increased to \$8,000, whereas \$5,000 was to be paid in cash and \$3,000 accrued up to the closing of the January 2018 financing. For the year ended January 31, 2018, the Company was charged \$87,950 (2017 – \$45,000) for services provided by Branson. As at January 31, 2018, an amount of \$15,000 (January 31, 2017 – \$nil) owing to Branson was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

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

Key management personnel compensation (continued)

During the year ended January 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $152,189 (2017 – $64,508) of legal services to the Company, which are included in professional fees. As at January 31, 2018, an amount of $124,954 (January 31, 2017 – $72,094) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Agreements with related parties

On January 24, 2018, the Company and Foundation Markets Inc. ("FMI") entered into a private placement finder's fee agreement in relation to the January 2018 Offering, as disclosed in Note 8. Peter Bilodeau and Adam Szweras are the President and the Chairman of FMI, respectively. On closing of Tranche 1 of the brokered private placement, FMI was paid a finder's fee of $34,350 and was issued 111,800 finders' warrants exercisable at $0.25 for a period of 2 years.

Subscriptions by related parties

During the year ended January 31, 2018, directors and officers and Quinsam Capital Corporation ("Quinsam"), a company with common CFO as Lineage, had subscribed for a total of 205 units, for total principal of $205,000 of Convertible Debentures from the May 12, 2017 offering. In conjunction with these offerings, these directors, officers and Quinsam had received a total of 98,400 common shares of the Company, valued at $3,444, for satisfaction of interest payment.

12. INCOME TAXES

Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 – 26.5%) were as follows:

	2018	**2017**
	$	**$**
(Loss) before income taxes	(2,592,012)	(272,460)
Expected income tax recovery based on statutory rate	(687,000)	(72,000)
Adjustments to expected income tax benefit:		
Expenses not deductible for tax purposes	18,000	8,000
Change in benefit of tax assets not recognized	669,000	64,000
Deferred income tax provision (recovery)	-	-

Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	**2017**
	$	**$**
Non-capital loss carry-forwards	3,905,000	4,088,000
Share issue costs and others	140,000	36,000
Mineral property costs	703,000	684,000
	4,748,000	4,808,000

The tax losses expire from 2028 to 2038. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

13. CAPITAL RISK MANAGEMENT

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

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

(i) minimizing discretionary disbursements;

(ii) reducing or eliminating exploration expenditures which are of limited strategic value; and

(iii) exploring alternate sources of liquidity.

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

As at January 31, 2018, the Company's capital consists of share capital, shares to be issued, conversion component of convertible debentures, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $186,916 (January 31, 2017 – equity of $456,828).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended January 31, 2018 and 2017.

The Company is not subject to externally imposed capital requirements.

14. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, trade receivables, and accounts payable and accrued liabilities on the consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks and in trust with the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at year-end is limited to the accounts receivable balance.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at January 31, 2018, the Company had a cash balance of $4,347,368 (January 31, 2017 – $606,695) to settle current liabilities of $664,191 (January 31, 2017 – $165,506).

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 year-end.

15. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration and evaluation activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Consultant agreements

The Company is party to certain consulting agreements. One of the consulting agreements entered between the Company and a former officer requires that a bonus in the amount of $150,000 be paid upon the Company securing a listing on the Canadian Securities Exchange ("CSE"). As at January 31, 2018, the contingent payment has not been reflected in these consolidated financial statements as the triggering event had not taken place. The payment was made subsequent to year-end.

Nutritional High International Inc.

On February 22, 2017, the Company entered into a Letter of Intent ("LOI") with NHII, whereby the Company will build medical and adult-use cannabis cultivation facilities in Henderson, Nevada and Pueblo, Colorado ("Proposed Transaction Agreement"). As part of the Proposed Transaction Agreement, the Company was to enter into the following arrangements with NHII:

(i) NHII will assign to the Company its right to acquire a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health for a payment of USD $500,000;

(ii) The Company will form a joint venture company with NHII for the purposes of acquiring and holding a real property located in Henderson, to be licensed for the operation of a medical marijuana cultivation facility; and

(iii) NHII will lease to the Company, land and a building in Pueblo (the "Pueblo Facility") which qualify for marijuana cultivation. The Company will then sublease the Pueblo Facility to Palo Verde, LLC ("Palo Verde"), a party which has applied to renew a cultivation license in Colorado respecting the Pueblo Facility.

Upon the execution of the formal agreement between the Company and NHII, the Company was to issue between 1,000,000 to 3,000,000 common shares to NHII. The Proposed Transaction Agreement may be terminated if certain conditions are not satisfied by June 30, 2017 (the "Drop Dead Date").

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

15. COMMITMENTS AND CONTINGENCIES (continued)

Nutritional High International Inc. (continued)

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. The fair value of these shares has been expensed as share-based payments in the consolidated statements of loss and comprehensive loss. Subsequent to January 31, 2018, the Company issued 1,650,000 common shares to NHII (see Note 17).

Put Option Agreement

Pursuant to the Put Option Agreement, the following circumstances would constitute default by the Company under the Convertible Debentures:

(i) Failure of the Company to list its common shares on the CSE by February 28, 2018;

(ii) The Company's common shares trading at a price per share equal to less than 50% of the conversion price of the Convertible Debentures for 60 consecutive trading days after being listed on a stock exchange; or

(iii) Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

The Company received the final listing approval from the CSE on February 28, 2018.

(Expressed in Canadian Dollars)

15. COMMITMENTS AND CONTINGENCIES (continued)

Terpene Station

On December 13, 2017, the Company signed a LOI to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland which operate under the “Terpene Station” brand name (the “Acquisition”). Terpene Station is an Oregon-based cannabis retailer involved with the marketing and sale of cannabis flower, edibles and oils. The purchase price of the Acquisition is in the amount of USD $1,200,000, of which USD $800,000 will be payable in cash upon closing, and USD $400,000 payable in secured promissory note, payable 24 months after closing, at 10% simple interest per annum.

Closing of the Acquisition is subject to completion of due diligence, execution of a definitive agreement, and all required regulatory approvals and consents.

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership with Mt. Baker Greeneries, LLC (“Mt. Baker”) (the “Washington Agreement”), 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.

16. SEGMENTED INFORMATION

As at January 31, 2018, the Company’s operations comprise of a single reporting operating segment engaged in the cultivation, manufacture and distribution of cannabis in states throughout the US. As at and for the year ended January 31, 2018, the breakdown between operations in Canada and the US are as follows:

Statement of financial position	**Canada**	**US**	**Total**
	$	**$**	**$**
Current assets	4,494,381	34,420	4,528,801
Non-current assets	-	-	-
Total assets	**4,494,381**	**34,420**	**4,528,801**
Current liabilities	648,405	15,786	664,191
Long-term liabilities	3,677,694	-	3,677,694
Total liabilities	**4,326,099**	**15,786**	**4,341,885**

Statement of loss and comprehensive loss	**Canada**	**US**	**Total**
	$	**$**	**$**
Operating expenses	929,858	277,226	1,207,084
Other expenses (income)	(8,054)	-	(8,054)
Net loss and comprehensive loss	**921,804**	**277,226**	**1,199,030**

17. SUBSEQUENT EVENTS

Amendments to Convertible Debentures

Restated Escrow Agreement

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

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

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

(iii) Closing of the Company's proposed Terpene Station Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc.;

(iv) Registration of a UCC general security agreement over the assets of the Company in the State of Washington, including all equipment leased by the Company to Mt. Baker, and registration of a second secured position over assets acquired in the Terpene Station Acquisition; and

(v) The Company has completed the Equity Financing.

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of the Concurrent Financing within nine months of issuance of the Convertible Debentures at a price of $0.25 (see Note 8), the conversion price of the Convertible Debentures is reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures. The adjustment to the conversion price was retroactive upon closing of Tranche 1. In addition, the exercise price of the common share purchase warrants issued was also amended from $0.325 to $0.25, effective February 26, 2018.

Private Placement Financing

On February 20, 2018, the Company announced the closing of the final tranches of the Concurrent Financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of $1,847,416 as follows:

- 3,442,065 units issued in the second tranche on February 8, 2018;
- 3,047,600 units issued in the third tranche on February 14, 2018, and
- 900,000 units issued in the fourth and final tranche on February 16, 2018.

Each unit consists of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of $0.325 per common share, exercisable for a 24-month period from the applicable issue date. In connection with the final three tranches, the Company also paid finders' fees totaling $99,700, and issued a total of 778,000 finder options. Each finder option entitles the holder to purchase one unit at a price of $0.25 per unit, exercisable for 24 months from the applicable issue date of the finder options.

Listing on the CSE

On March 5, 2018, the Company's common shares began trading on the CSE under the trading symbol "BUDD".

Altai Partners

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

17. SUBSEQUENT EVENTS (continued)

Altai Partners (continued)

On April 3, 2018, concurrent to its agreement acquiring a 45% ownership interest in LUX, Altai has entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX. Under the terms of the Altai Acquisition, the Company will purchase a 100% interest in Altai in exchange for the following consideration:

(i) $3,450,000 in common shares in the capital of Lineage priced at USD $0.20 per common share, to be issued to the seller upon closing;

(ii) USD $750,000 to be lent to Altai under a Promissory Note at 12% annual interest, maturing May 31, 2018. This note will become a loan to subsidiary after completion of the 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, beginning April 28, 2018 and ending December 30, 2018.

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

Herbiculture Inc.

On April 20, 2018, the Company entered into a LOI with Quinsam to acquire Quinsam's 35% interest in Herbiculture Inc. ("Herbiculture"), a medical marijuana dispensary located in the State of Maryland (the "Transaction"). Pursuant to the LOI, the Company will acquire Quinsam's 35% equity interest in Herbiculture for total consideration of 3,900,000 common shares of the Company. On closing, the Company will also enter into an agreement with Herbiculture and its shareholders for Lineage to be granted a right of refusal to purchase 35% of securities offered by Herbiculture and a "tag-along" right in case the majority shareholders of Herbiculture sell their stake.

The Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the LOI, receipt of applicable corporate approvals, and other regulatory and/or governmental approval.

Shares, warrants and options transactions

On March 7, 2018, the Company issued 1,650,000 common shares to NHII as partial consideration for its introduction of Mt. Baker, and for entering into the Put Option Agreement.

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

On March 7, 2018, 175,000 common shares were issued as a result of the exercise of 175,000 warrants for total cash proceeds of $17,500. All issued shares are fully paid.

On May 17, 2018, 85,000 common shares were issued as a result of the exercise of 85,000 options for total cash proceeds of $8,500. All issued shares are fully paid.

On May 24, 2018, the Company granted 1,875,000 stock options to officers and directors of the Company. The options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/6 of the options vested immediately on grant, with an additional 1/6 vesting every 6 months until fully vested. The Company also granted 800,000 stock options to various consultants. These options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/4 of the options vested immediately on grant, with an additional 1/4 vesting every subsequent until fully vested.

17. SUBSEQUENT EVENTS (continued)

Convertible Debentures

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

On May 24, 2018, the Company issued 336,000 common shares at a price of $0.20 per common share, to satisfy the third semi-annual interest payment for the Convertible Debentures.

LINEAGE GROW
COMPANY LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"Peter Bilodeau"
Peter Bilodeau
Chief Executive Officer

"Keith Li"
Keith Li
Chief Financial Officer

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

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

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

Approved on behalf of the Board of Directors:

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

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

LINEAGE GROW COMPANY LTD.

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

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

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

LINEAGE GROW COMPANY LTD.

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

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

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

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

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

1. NATURE OF OPERATIONS

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

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

On September 26, 2018, the Company acquired the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co. d/b/a Terpene Station Portland which operate under the "Terpene Station" brand name. Through Terpene Station, the Company currently operates two retail dispensaries in the State of Oregon. See Note 4 for details.

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

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

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

In the US, 30 States, the District of Columbia, and the US territories of Guam and Puerto Rico allow the use of medical cannabis. Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and the District of Columbia had approved and legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under US federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

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

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

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

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

2.2 Basis of Measurement

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

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

2.3 Basis of Consolidation

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

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

2.4 Significant Accounting Judgments and Estimates

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

Business combination

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

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Business combination (continued)

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

Assets’ carrying value and impairment charge

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

Intangible assets

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

Impairment of non-financial assets

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

Income, withholding and other taxes

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

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Share-based payment transactions and warrants

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

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

3.1 Changes in Accounting Policies

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

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

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

IFRS 15 replaces IAS 18 – Revenue, IAS 11 – Construction Contracts and some revenue-related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

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

IFRIC 22 was issued on December 8, 2016 and clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

3.2 Adopting of New Accounting Policies

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

Inventories

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

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS (continued)

3.2 Adopting of New Accounting Policies (continued)

Revenue

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

Equipment

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

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

Goodwill

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

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

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

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

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS (continued)

3.2 Adopting of New Accounting Policies (continued)

Intangible assets

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

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

3.3 Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on the Company's unaudited condensed interim consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

IFRS 16 – Leases ("IFRS 16")

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

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITION

Terpene Station

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

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

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

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

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

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

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

5. HST RECEIVABLES

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

6. INVENTORIES

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

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

(Expressed in Canadian Dollars)

7. PREPAID EXPENSES AND ADVANCES

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

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

8. PROMISSORY NOTES RECEIVABLE

Altai Partners

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

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

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

Walnut Oaks

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

(Expressed in Canadian Dollars)

9. EQUIPMENT

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

10. INTANGIBLE ASSETS AND GOODWILL

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

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

12. CONVERTIBLE DEBENTURES

SIDEX Debentures

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

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

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

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

Convertible Debentures

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

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

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

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

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

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES (continued)

Amendments to Convertible Debentures

Restated Escrow Agreement

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

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

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

(iii) Closing of the Company's Terpene Station Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc. ("FMI");

(iv) Registration of a UCC general security agreement over the assets of the Company in the State of Washington, including all equipment leased by the Company to Mt. Baker Greeneries, LLC ("Mt. Baker"), and registration of a second secured position over assets acquired in the Terpene Station Acquisition; and

(v) The Company has completed an equity financing.

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

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of a concurrent financing within nine months of issuance of the Convertible Debentures at a price of $0.25, the conversion price of the Convertible Debentures was reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures.

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

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

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

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

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES (continued)

The changes to the embedded derivative liabilities are as follows:

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

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

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

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

13. NOTE PAYABLE

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

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

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

14. SHARE CAPITAL

Authorized share capital

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

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

14. SHARE CAPITAL (continued)

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

On February 8, 2018, the Company closed the second tranche ("Tranche 2") of the Concurrent Financing, consisting of 3,442,064 units at a price of $0.25 per unit, for gross proceeds of $860,516. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date, as disclosed in Note 15. In conjunction with the brokered private placement, the Company paid finders' fee of $62,900 and issued 251,600 finders' warrants (see Note 15).

On February 14, 2018, the Company closed the third tranche ("Tranche 3") of the Concurrent Financing, consisting of 3,047,600 units at a price of $0.25 per unit, for gross proceeds of $761,900. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date, as disclosed in Note 15. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,800 and issued 75,200 finders' warrants (see Note 15).

On February 16, 2018, the Company closed the fourth and last tranche ("Tranche 4") of the Concurrent Financing, consisting of 900,000 units at a price of $0.25 per unit, for gross proceeds of $225,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date, as disclosed in Note 12. In conjunction with the brokered private placement, the Company also paid finders' fee of $18,000 and issued 72,000 finders' warrants (see Note 15).

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

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

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

On May 24, 2018, the Company issued 336,000 common shares at a price of $0.20 per common share, to satisfy the third semi-annual interest payment for the Convertible Debentures. These common shares were valued at $67,500 based on the Company's most recently completed financing at the time.

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

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

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

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

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

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

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

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

15. RESERVE FOR WARRANTS

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

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

Warrants issuance for the nine months ended October 31, 2018

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

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

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

Warrants issuance for the nine months ended October 31, 2017

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

(Expressed in Canadian Dollars)

15. RESERVE FOR WARRANTS (continued)

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

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

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

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

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

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

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

(Expressed in Canadian Dollars)

16. RESERVE FOR SHARE-BASED PAYMENTS

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

Options grants for the nine months ended October 31, 2018

On May 24, 2018, the Company granted 1,875,000 stock options to various officers and directors of the Company. The options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/6 of the options vested immediately on grant, with an additional 1/6 vesting every 6 months until fully vested. The Company also granted 800,000 stock options to various consultants. These options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/4 of the options vested immediately on grant, with an additional 1/4 vesting every subsequent quarter until fully vested.

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

Options grants for the nine months ended October 31, 2017

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

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

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

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

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

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

17. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel compensation

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

On October 15, 2010, Lineage and FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau, the Chief Executive Officer ("CEO") and Director of the Company, is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp., an entity in which Adam Szweras, the Corporate Secretary of the Company, is a director and whereas his minor children hold an indirect interest. For the nine months ended October 31, 2018, the Company was charged $176,333 (2017 – $108,000) for consulting services provided by FMICA. As at October 31, 2018, an amount of $13,560 (January 31, 2018 – 87,033) owing to FMICA was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

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

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

During the nine months ended October 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $184,651 (2017 – $85,200) of legal services to the Company, which are included in professional fees. As at October 31, 2018, an amount of $179,889 (January 31, 2018 – $124,954) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the nine months ended October 31, 2018, officers and directors of the Company received stock-based compensation of $171,300 (2017 – $nil).

Agreements with related parties

On January 24, 2018, the Company and FMI entered into a private placement finder's fee agreement in relation to the January 2018 Offering, and the ensuing Tranches of the Concurrent Financings which closed in February 2018, as disclosed in Note 14. Peter Bilodeau and Adam Szweras are the President and the Chairman of FMI, respectively. Of the Tranches which closed in February 2018, FMI was paid the following compensation:

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

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

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

Agreements with related parties (continued)

Effective April 17, 2018, Lineage and Peter Bilodeau entered into a consulting agreement, providing for CEO and consulting services to the Company. Fees of $10,000 are payable on a monthly basis from the effective date. During the nine months ended October 31, 2018, the CEO was paid $64,720 (2017 – $nil) for CEO consulting services provided to the Company, which are included in management and consulting fees. As at October 31, 2018, an amount of $14,636 (January 31, 2018 – $nil) owing to the CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

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

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

Subscriptions by related parties

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

Note payable issued to related parties

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

18. CAPITAL RISK MANAGEMENT

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

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

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

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

As at October 31, 2018, the Company's capital consists of share capital, conversion component of convertible debentures and promissory notes, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $3,117,219 (January 31, 2018 – $186,916).

18. CAPITAL RISK MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended October 31, 2018 and the year ended January 31, 2018.

The Company is not subject to externally imposed capital requirements.

19. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, trade receivables, promissory notes receivable, accounts payable and accrued liabilities on the unaudited condensed interim consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments. The fair values of the embedded derivative liabilities were estimated based on the assumptions disclosed in Note 12.

Fair value hierarchy

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

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

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks and in trust with the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at period-end is limited to the accounts receivable and promissory notes receivable balances.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at October 31, 2018, the Company had a cash balance of $267,617 (January 31, 2018 – $4,347,368) to settle current liabilities of $1,013,425 (January 31, 2018 – $664,191).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at period-end.

Foreign exchange risk

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

20. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Nutritional High International Inc.

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

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

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

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

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

(iv) NHII has agreed to enter into the Put Option Agreement in exchange for:

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

As at January 31, 2018, the Company had recognized a shares to be issued amount of $254,606 for the common shares to be issued to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement. On March 7, 2018, 1,650,000 common shares were issued to NHII (see Note 14).

20. COMMITMENTS AND CONTINGENCIES (continued)

Nutritional High International Inc. (continued)

Put Option Agreement

Pursuant to the Put Option Agreement, the following triggering events would constitute default by the Company under the Convertible Debentures:

(i) Failure of the Company to list its common shares on the CSE by February 28, 2018;

(ii) The Company's common shares trading at a price per share equal to less than 50% of the conversion price of the Convertible Debentures for 60 consecutive trading days after being listed on a stock exchange; or

(iii) Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

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

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

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership (the "Washington Agreement") with Mt. Baker, a Tier 2 licensed cannabis producer processor in the State of Washington.

On January 31, 2018, the Company entered into definitive agreements to implement the Washington Agreement with Mt. Baker. An Equipment Lease Agreement was entered into, whereby the Company agrees to lease cultivation equipment to Mt. Baker. A Licensing and Services Agreement was also entered, whereby Mt. Baker will purchase cultivation supplies, license certain trademarks to place on Mt. Baker's packaged products, and license certain technology from the Company, to cultivate the marijuana crops grown at the Mt. Baker Facility. The Company will also provide services to assist in redesigning Mt. Baker's grow facility, implementing growing methodologies, training of personnel and other advice as requested.

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

Altai Partners

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

On April 3, 2018, concurrent to its agreement acquiring a 45% ownership interest in LUX, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX. Under the terms of the Altai Acquisition, the Company will purchase a 100% interest in Altai in exchange for the following consideration:

(i) $3,450,000 in common shares in the capital of Lineage priced at USD $0.20 per common share, to be issued to the seller upon closing;

(ii) USD $750,000 to be lent to Altai under a Promissory Note at 12% annual interest, maturing May 31, 2018 (see Note 8). This note will become a loan to subsidiary after completion of the Altai Acquisition; and

20. COMMITMENTS AND CONTINGENCIES (continued)

Altai Partners (continued)

(iii) Lineage, under its ownership of Altai, will assume USD $1,200,000 in payment obligations towards Altai's purchase of LUX. This obligation includes four cash payments to LUX shareholders of USD $300,000 each, beginning April 28, 2018 and ending December 30, 2018.

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

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

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

Walnut Oaks

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

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

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

The Walnut Oaks Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the Agreement, receipt of applicable corporate approvals, and other regulatory approval.

Harborside

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

The Harborside Transaction is subject to satisfaction or waiver of terms and conditions, customary or otherwise, including completion of due diligence, execution of a definitive agreement and all required approvals and consents, including the approval of the CSE and shareholders of Lineage.

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION

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

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

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

22. SUBSEQUENT EVENTS

Shares, warrants and options transactions

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

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

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

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

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

Bridge Loan from Harborside

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

22. SUBSEQUENT EVENTS

Walnut Oaks

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

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

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

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

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

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

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

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

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

Mt. Baker

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

Herbiculture

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

SCHEDULE "B"
FINANCIAL STATEMENTS OF FLRISH

FLRISH, INC.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

FLRISH, INC.
Index to Consolidated Financial Statements

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of FLRish, Inc.:

We have audited the accompanying consolidated financial statements of FLRish, Inc. ("FLRish") and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position at December 31, 2017 and 2016, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Macias Gini & O'Connell LLP

Sacramento, California
April 30, 2019

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

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FLRISH, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		2017	2016
Assets			
Current Assets			
Cash		$ 1,490,612	$ 4,334,348
Accounts Receivable - Related Party	Note 10	9,641,424	2,571,645
Prepaid Expenses		150,319	20,800
Total Current Assets		**11,282,355**	**6,926,793**
Non-current Assets			
Property and Equipment, Net	Note 4	7,094,641	5,658,057
Note Receivable - Related Party, Net	Note 10	1,893,772	1,090,208
Deposits		326,366	53,694
Investments	Note 14	-	3,582,384
Total Non-Current Assets		**9,314,779**	**10,384,343**
Total Assets		**$ 20,597,134**	**$ 17,311,136**
Liabilities and Shareholders' Equity (Deficit)			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	Note 5	$ 4,440,441	$ 1,345,998
Accounts Payable - Related Party	Note 10	-	538,259
Notes Payable and Accrued Interest, Current Portion	Note 6	11,012,896	5,213
Notes Payable and Accrued Interest - Related Party	Note 6	1,700,000	-
Deferred Gain on Sale of Equipment	Note 13	38,553	-
Total Current Liabilities		**17,191,890**	**1,889,470**
Long Term Liabilities			
Notes Payable and Accrued Interest, Net of Current Portion	Note 6	3,881,336	9,269,661
Notes Payable and Accrued Interest - Related Party	Note 6	-	600,000
Deferred Gain on Sale of Equipment	Note 13	292,364	-
Deferred Rent	Note 16	38,000	-
Total Long Term Liabilities		**4,211,700**	**9,869,661**
Total Liabilities		**21,403,590**	**11,759,131**
Shareholders' Equity (Deficit)			
Share Capital	Note 7	100,949	50
Contributed Surplus		231,989	137,750
Accumulated Deficit		(10,278,898)	(4,336,839)
Non-Controlling Interest		9,139,504	9,751,044
Total Shareholders' Equity (Deficit)		**(806,456)**	**5,552,005**
Total Liabilities and Shareholders' Equity (Deficit)		**$ 20,597,134**	**$ 17,311,136**

Subsequent Events (Notes 19)

Approved and authorized on behalf of the board of directors on April 30, 2019:

Andrew Berman Director Matthew Hawkins Director

See accompanying notes to the consolidated financial statements

FLRISH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2017 and 2016
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		2017	2016
Contract Services Revenue - Related Party	Note 12	$ 12,595,188	$ 5,804,005
Rental Revenue - Related Party	Note 11	2,086,822	257,336
Total Revenue		**14,682,010**	**6,061,341**
Cost of Revenue		4,124,561	1,409,097
Gross Profit		**10,557,449**	**4,652,244**
Expenses			
General and Administrative		8,696,415	5,413,624
Professional Fees		2,601,127	2,175,537
Share-Based Compensation	Note 8	94,239	137,750
Impairment Loss	Note 14	3,637,574	-
Depreciation and Amortization		250,283	69,099
Total Operating Expenses		**15,279,638**	**7,796,010**
Loss from Operations		**(4,722,189)**	**(3,143,766)**
Other Income (Expense)			
Interest Expense, Net		(1,267,867)	(531,965)
Gain on Sale of Investment	Note 10	334,186	-
Gain on Sale of Equipment		73,664	-
Other Expenses		(360,993)	-
Total Other Income (Expense)		**(1,221,010)**	**(531,965)**
Loss Before Provision for Income Taxes		**(5,943,199)**	**(3,675,731)**
Provision for Income Taxes	Note 9	10,400	11,200
Net Loss Before Non-Controlling Interest		**(5,953,599)**	**(3,686,931)**
Net Loss Attributable to Non-Controlling Interest		(11,540)	(248,956)
Net Loss Attributable to FLRish, Inc.		$ (5,942,059)	$ (3,437,975)

FLRISH, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEF

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Share Capital	Contributed Surplus	Accumulated Deficit	Non-Controlling Interest	Total
Balance, December 31, 2015	$ -	$ -	$ (898,864)	$ -	$ (898,864)
Issuance of Common Stock	50	-	-	-	50
Share-Based Compensation	-	137,750	-	-	137,750
Equity Contribution From Non-Controlling Interest	-	-	-	10,000,000	10,000,000
Net Loss	-	-	(3,437,975)	(248,956)	(3,686,931)
Balance, December 31, 2016	50	137,750	(4,336,839)	9,751,044	5,552,005
Exercise of Stock Options	100,899		-	-	100,899
Share-Based Compensation	-	94,239	-	-	94,239
Distribution to Non-Controlling Interest	-	-	-	(600,000)	(600,000)
Net Loss	-	-	(5,942,059)	(11,540)	(5,953,599)
Balance, December 31, 2017	$ 100,949	$ 231,989	$ (10,278,898)	$ 9,139,504	$ (806,456)

See accompanying notes to the consolidated financial statements

FLRISH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ending December 31, 2017 and 2016
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2017	2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net Loss	$ (5,953,599)	$ (3,686,931)
Adjustments to Reconcile Net Loss to Net Cash Used by Operations:		
Depreciation and Amortization	250,283	69,099
Accreted Interest	1,015,391	531,997
Amortization of Discount	(4,512)	-
Share-Based Compensation	94,239	137,750
Deferred Rent	38,000	-
Gain on Sale of Investment	(334,186)	-
Impairment Loss	3,637,574	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Related Party	(7,069,779)	(2,571,645)
Prepaid Expenses	(129,519)	(10,800)
Deposits	(272,672)	96,306
Accounts Payable and Accrued Liabilities	3,094,443	660,308
Accounts Payable - Related Party	(538,259)	538,259
Deferred Gain on Sale of Equipment	330,917	-
NET CASH USED IN OPERATING ACTIVITIES	(5,841,679)	(4,235,657)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of Property and Equipment	(10,459,397)	(5,730,156)
Proceeds from Sale of Property and Equipment	8,772,530	3,000
Advances to Related Party	(55,000)	(1,090,208)
Proceeds from Notes Receivable - Related Party	90,132	-
Purchase of Investments	(555,188)	(2,253,605)
NET CASH USED IN INVESTING ACTIVITIES	(2,206,923)	(9,070,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Convertible Notes	850,000	5,730,000
Proceeds from Notes Payable	6,862,500	32,878
Proceeds from Notes Payable - Related Party	1,000,000	
Payment on Notes Payable	(3,008,533)	-
Proceeds from Exercise of Stock Options	100,899	-
Proceeds from Issuance of Common Stock	-	50
Proceeds from Non-Controlling Interest	-	10,000,000
Distribution to Non-Controlling Interest	(600,000)	-
NET CASH FROM FINANCING ACTIVITIES	5,204,866	15,762,928
INCREASE (DECREASE) IN CASH	(2,843,736)	2,456,302
CASH, BEGINNING OF YEAR	4,334,348	1,878,046
CASH, END OF YEAR	$ 1,490,612	$ 4,334,348
Supplementary information:		
Interest Paid	$ 257,052	$ -
Income Taxes Paid	$ 13,600	$ -
Property and Equipment Acquired Through Accrual	$ 2,512,484	$ 59,390

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

FLRish, Inc. (“FLRish”), a California corporation, was incorporated on November 24, 2015, under the California Corporations Code in the United States of America.

FLRish, together with its wholly owned subsidiaries (collectively, the “Company”), provide real estate rental, advisory and administrative services as well as services related to the processing, retailing and dispensing of cannabis, cannabis infused products (“CIPS”), related products, and educational materials connected with the operation of marijuana businesses located in the State of California (the “State”).

The address of the Company’s principal place of business and registered records office address is 2100 Embarcadero, Suite 205, Oakland, California, United States of America.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the years ended December 31, 2017 and 2016.

These consolidated financial statements were approved and authorized for issue by the board of directors of the Company on April 30, 2019.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional Currency

These consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. BASIS OF PREPARATION (Continued)

(d) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and exposures, or rights, to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A summary of the Company's subsidiaries is as follows at December 31, 2017 and 2016:

Entity	Place of incorporation	Effective ownership
FLRish IP, LLC	California	100%
FLRish Retail, LLC	California	100%
FLRish Retail Management & Security Services, LLC	California	100%
FLRish Retail Affiliates, LLC	California	100%
FLRish Farms, Inc.	California	100%
FLRish Farms, LLC	California	100%
Savature, LLC	California	68.5%
Savaca, LLC	California	68.5%
FFC1, LLC	California	68.5%
FLRish Farms Cultivation 8, LLC	California	68.5%

All intercompany balances and transactions have been eliminated upon consolidation.

On April 26, 2018, the Company acquired the non-controlling ownership interests in Savature, LLC, Savaca, LLC, FFC1, LLC, and FLRish Farms Cultivation 8, LLC (Note 19 (d)).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Account and Note Receivables

Accounts and notes receivable are recorded net of allowance. The Company provides for probable losses on accounts and notes receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Company has used reasonable collection efforts are written off. The Company has recorded no allowance as of December 31, 2017 and 2016. At December 31, 2017 and 2016, all receivables were due from Patients Mutual Assistance Collective Corporation ("PMACC"), a related-party, for rental and contract services performed (Notes 11 and 12).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property and Equipment

Property and equipment purchases greater than $500 are capitalized at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Agricultural buildings	15 years
Agricultural equipment	5 years
Furniture and fixtures	7 years
Office equipment	5 years
Security equipment	5 years
Computer equipment	3 years
Leasehold improvements	Remaining life of lease

Expenditures for repairs and maintenance are charged to General and Administrative Expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period. The Company annually reviews the property and equipment records for impairment of value and records any adjustments necessary. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the year the asset is derecognized.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for the intended use and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation on the item commences.

For the years ended December 31, 2017 and 2016, depreciation expense totaled $250,283 and $69,099, respectively.

Certain capital assets have been pledged as collateral for a debt obligation (Note 6 (d)).

(c) Leases

Leases that do not transfer to the Company substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Contract services revenue is recognized when services outlined in the management services agreements are provided. Rental revenue is recognized on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental revenue over the lease term on a straight-line basis.

(e) Share-Based Compensation

The fair value of share-based payments granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For equity-settled share-based payment transactions with employees and others providing similar services, the fair value is measured at the grant date and recognized over the period during which the share-based payments vest with a corresponding increase in equity. The fair value of the share-based payments granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share-based payments were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share-based payments that are expected to vest.

(f) Income Taxes

Income tax expense is recognized in the Consolidated Statements of Operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the tax benefit from an uncertain tax position only if it is probably that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that is probably of being realized upon ultimate settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes (Continued)

The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

(g) Financial Instruments

(i) Initial Measurement of Financial Assets and Financial Liabilities

Financial assets and liabilities are recognized at fair value.

(ii) Subsequent Measurement

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: loans and receivables and other financial liabilities.

(iii) Classification of Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial Assets:	Classification:
Cash	Loans and receivables
Accounts Receivable – Related Party	Loans and receivables
Notes receivable – Related Party	Loans and receivables
Deposits	Loans and receivables

Financial Liabilities:	Classification:
Accounts Payable and Accrued Liabilities	Other financial liabilities
Notes Payable to Related & Unrelated Parties	Other financial liabilities

(iv) Financial Assets

All financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument and are measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(v) Financial Liabilities

All financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument and are measured at amortized cost. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(vi) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment annually. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(h) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, if any, are reviewed for an indication of impairment at each reporting date. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(i) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Significant Accounting Judgments, Estimates and Assumptions (Continued)

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

(i) Allowance for Doubtful Accounts

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

(ii) Share-Based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. In calculating the share-based compensation expense, management is required to make certain assumptions and estimates such as the expected life of the options, volatility of the Company's common shares, risk free rates, and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

(iii) Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(j) Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) IFRS 7 – Financial Instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for periods commencing on or after January 1, 2018. The Company expects the impact on its consolidated financial statements to be insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Recent Accounting Pronouncements (Continued)

(ii) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company expects the impact on its consolidated financial statements to be insignificant.

(iii) IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company expects the impact on its consolidated financial statements to be insignificant.

(iv) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. PROPERTY AND EQUIPMENT

Property and Equipment assets consists of the following at December 31, 2017 and 2016:

	Agricultural buildings	Agricultural equipment	CIP	Furniture and fixtures	Land	Office and computer equipment	Security equipment	Leasehold improvements	TOTAL
At Cost									
As at January 1, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	786,854	209,932	685,104	40,654	3,404,572	68,617	534,423	-	5,730,156
Disposals	-	(3,000)	-	-	-	-	-	-	(3,000)
As at December 31, 2016	$ 786,854	$ 206,932	$ 685,104	$ 40,654	$ 3,404,572	$ 68,617	$ 534,423	$ -	$ 5,727,156
Additions	2,030,038	635,320	7,673,788	-	-	78,964	38,715	2,572	10,459,397
Disposals	(2,490,592)	(433,748)	(2,076,768)	(32,657)	(3,404,572)	-	(547,719)	-	(8,986,056)
As at December 31, 2017	$ 326,300	$ 408,504	$ 6,282,124	$ 7,997	$ -	$ 147,581	$ 25,419	$ 2,572	$ 7,200,497
Accumulated Depreciation									
As at January 1, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	24,533	11,050	-	1,733	-	5,062	26,721	-	69,099
Disposals	-	-	-	-	-	-	-	-	-
As at December 31, 2016	$ 24,533	$ 11,050	$ -	$ 1,733	$ -	$ 5,062	$ 26,721	$ -	$ 69,099
Depreciation	85,876	78,754	-	3,475	-	27,499	54,651	28	250,283
Disposals	(104,150)	(24,864)	-	(3,685)	-	-	(80,827)	-	(213,526)
As at December 31, 2017	$ 6,259	$ 64,940	$ -	$ 1,523	$ -	$ 32,561	$ 545	$ 28	$ 105,856
Net Book Value									
As at December 31, 2016	$ 762,321	$ 195,882	$ 685,104	$ 38,921	$ 3,404,572	$ 63,555	$ 507,702	$ -	$ 5,658,057
As at December 31, 2017	$ 320,041	$ 343,564	$ 6,282,124	$ 6,474	$ -	$ 115,020	$ 24,874	$ 2,544	$ 7,094,641

Assets under construction in progress ("CIP") is related to a cultivation facility not yet completed or otherwise not ready for use. Depreciation begins for property and equipment in CIP when the items are placed in service. For the years ended December 31, 2017 and 2016, no CIP was placed in service.

Depreciation expense for the years ended December 31, 2017 and 2016, totaled $250,283 and $69,099, respectively.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31, 2017 and 2016:

	2017	2016
Accounts payable	$ 3,206,284	$ 295,568
Accrued liabilities	698,550	588,863
Income taxes payable	6,400	10,400
Accrued payroll	529,207	451,167
	$4,440,441	**$1,345,998**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

6. NOTES PAYABLE AND ACCRUED INTEREST

Notes payable consists of the following at December 31, 2017 and 2016:

		2017	2016
Related party note	(a)	$ 1,700,000	$ 600,000
Equipment loan	(c)	24,344	32,877
Term loan	(d)	3,900,000	-
Convertible notes and accrued interest	(e)	11,007,388	9,241,997
Total notes payable		16,631,732	9,874,874
Less unamortized debt issuance costs		(37,500)	-
Net amount		16,594,232	9,874,874
Less notes payable, current portion		(12,712,896)	(5,213)
Notes payable, net of current portion		**$3,881,336**	**$9,869,661**

(a) Related Party Note

In December 2015, the Company entered into an unsecured loan agreement with an officer of the Company (the "Yost Note"). The Yost Note had a principal balance of $500,000, and carried a 20% annual interest rate due on the later of December 31, 2016, or the date on which the Convertible Notes (Note 6 (e)) are repaid or converted in full into equity of the Company. As at December 31, 2017 and 2016, the principal balance of the Yost Note was $500,000 and accrued interest for the Yost Note totaled $200,000 and $100,000, respectively.

On December 19, 2017, the Company issued a promissory note with a face value of $1,000,000 bearing interest at an annual rate of 12% to Murray Field & Company, LLC, maturing on March 1, 2018, in exchange for $1,000,000 in cash which, pursuant to its terms, was convertible upon the Company raising $4,000,000 in equity financing. Subsequent to issuance, the maturity date was extended to May 1, 2018. On April 30, 2018, the Company raised $5,500,000 from the sale of Series A-1 Preferred stock (Note 19 (f)), and the promissory note converted automatically into 240,964 shares of Series A-1 Preferred stock. Accrued interest of $78,834 was paid in cash at conversion.

(b) Short Term Loan

On March 14, 2017, Savature, LLC ("Savature") entered into a loan agreement with a private investment group comprised of unrelated parties (the "Private Loan"). The Private Loan had a principal balance of $3,000,000. The Private Loan was collateralized by all assets of Savature. The Private Loan carried a 9% annual interest rate and a twelve-month term. The Private Loan was paid in full in July 2017.

6. NOTES PAYABLE AND ACCRUED INTEREST (Continued)

(c) Equipment Loan

Savature issued a promissory note to Toyota Commercial Finance to finance the purchase of agricultural equipment, which is secured by the same equipment. The note was originated on September 8, 2016, with a 64-month term maturing January 8, 2022. The note bears interest at a rate of 4.9% per year with all unpaid principal and interest due on maturity. The note has no prepayment penalties and prohibits any repaid principal from being redrawn by Savature. At December 31, 2017 and 2016, the note had an outstanding balance of $24,344 and $32,877, respectively. The current portion of the note was $5,508 at December 31, 2017, and $5,213 at December 31, 2016.

(d) Term Loan

On July 18, 2017, Savature entered into a loan agreement (the "CFP Loan") with CFP Fund I, LLC ("CFP"). The Company may borrow up to $9,300,000 in increments of no less than $100,000. The CFP Loan carries a 15% annual interest rate and a five-year term. Interest accrued on the CFP Loan is paid monthly. The CFP Loan is collateralized by all assets owned by Savature.

At December 31, 2017, the principal owed on the CFP Loan totaled $3,900,000. The CFP Loan was converted to a term loan upon final draw down of the available loan amount for a total of $9,300,000 on May 3, 2018, with a 60-month term maturing June 1, 2023. The Company has classified the CFP Loan at December 31, 2017, based upon the payment terms of the term loan. The CFP Loan requires Savature to meet certain financial covenants. Savature believes that it was in compliance with all associated financial covenants as of December 31, 2017, and the date the consolidated financial statements were available to be issued.

(e) Convertible Notes

During the years ended December 31, 2016 and 2015, the Company issued convertible promissory notes bearing 8% interest with a principal face value in aggregate of $6,000,000 in exchange for $6,000,000 in cash ("Senior Notes"). The Senior Notes principal and accrued interest were convertible at the election of the noteholder or upon a qualified equity financing of $5,000,000 with a valuation cap of $25,000,000. No principal or interest payments were made during the years ended December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, the Company issued convertible promissory notes bearing 12% interest with a principal face value in aggregate of $3,660,000 in exchange for $3,660,000 in cash (the "Junior Notes"). As of December 31, 2016, the Company issued $2,810,000 of Junior Notes. The Junior Notes principal and accrued interest were convertible at election of the noteholder or upon a qualified equity financing of $5,000,000 with a valuation cap of $50,000,000. No principal or interest payments were made during the years ended December 31, 2017 and 2016.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

6. NOTES PAYABLE AND ACCRUED INTEREST (Continued)

(e) Convertible Notes (Continued)

As of December 31, 2017 and 2016, accrued interest for the Senior Notes and Junior Notes totaled $1,347,388 and $431,997, respectively. The current portion of the Senior Notes and Junior Notes was $11,007,388 at December 31, 2017, and $0 at December 31, 2016. All principal and accrued interest was set to mature on February 15, 2018, and was converted into shares of Series A-1 Preferred stock on April 30, 2018 (Note 19 (f)).

Stated maturities of debt obligations, net of debt issuance costs, are as follows:

Year Ending December 31	Amount
2018	$ 12,712,896
2019	5,802
2020	6,097
2021	6,391
2022	546
Thereafter	3,862,500
	$ 16,594,232

7. SHAREHOLDERS' EQUITY

As at December 31, 2017, the Company had authorized 40,000,000 shares of stock with 30,000,000 shares designated as common stock with a par value of $.0001 per share and 10,000,000 shares designated as preferred stock with a par value of $.0001 per share. As of December 31, 2017 and 2016, shares of common stock outstanding were 2,449,872 and 500,000, respectively. During the year ended December 31, 2017, options exercisable into 1,949,872 shares of stock were exercised (Note 8).

The board of directors is permitted to create additional classes of preferred stock out of the unissued preferred stock shares. There were no shares of preferred stock outstanding as of December 31, 2017 and 2016.

During 2016, Linnaeus Management Services, LLC ("LMS"), non-controlling interest, contributed $10,000,000 for 31.5% interest in Savature. During 2017, LMS received a distribution in the amount of $600,000.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. STOCK OPTIONS

The Company maintains an equity incentive plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company.

Stock option activities for the years ended December 31, 2017 and 2016, are summarized as follows:

	Number of Options	Weighted Avg. Exercise Price per Share
	#	$
Balance December 31, 2015	-	-
Incentive Stock Options Granted	7,350,000	0.052
Non-qualified Options Granted	890,000	0.050
Balance December 31, 2016	**8,240,000**	**0.052**
Incentive Stock Options Granted	375,000	0.050
Non-qualified Options Granted	924,750	0.293
Exercised	(1,949,872)	0.051
Expired or cancelled	(2,203,125)	0.054
Balance December 31, 2017	**5,386,753**	**0.092**

During the years ended December 31, 2017 and 2016, the Company recorded aggregate share-based compensation of $94,239 and $137,750, respectively, for all stock options granted and vested during the period. During the years ended December 31, 2017 and 2016, the Company received cash consideration of $100,899 and $0, respectively, for exercise of granted and vested stock options.

The Company used the Black-Scholes valuation model to estimate the grant date fair value of the options granted during the years ended December 31, 2017 and 2016, using the following assumptions:

	2017	2016
Valuation date share price	$0.05 - $4.15	$0.05 - $0.055
Exercise price	$.05 - $4.15	$0.05 - $0.055
Expected life	5.75 - 6.25 years	3.25 - 6.00 years
Cumulative Volatility	240% - 250%	180% - 245%
Risk free interest rate	2.09% - 2.29%	.78% - 1.33%

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

9. INCOME TAXES

The income tax provision consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Current:		
Federal	$ -	$ -
State	10,400	11,200
Total Current	$ 10,400	$ 11,200
Deferred:		
Federal	$ -	$ -
State	-	-
Total Deferred	-	-
Total Tax Provision	$ 10,400	$ 11,200

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below as of December 31, 2017 and 2016:

	2017	2016
Deferred tax assets:		
Accrued expenses not currently deductible for income tax purposes	$ 234,120	$ 139,808
Federal net operating loss carry forward	1,163,053	1,118,261
State net operating loss carry forward	386,217	191,708
State income taxes	2,184	3,808
Basis differences	83,370	144,588
Total deferred tax assets	$ 1,868,944	$ 1,598,173
Valuation allowance	(1,868,944)	(1,598,173)
Net deferred tax assets	$ -	$ -

The Company evaluates deferred tax assets to ensure that the estimated future taxable income will be sufficient as to the amount and timing to support realization. After considering the positive and negative evidence, a full valuation allowance has been recorded, as it is uncertain whether the deferred tax assets will ultimately be utilized. During the year ended December 31, 2017, the valuation allowance increased by approximately $271,000. The valuation allowance has been applied based on the Company's historical results from operations. If events or circumstances change, the valuation allowance will be adjusted at that time resulting in an income tax benefit.

9. INCOME TAXES (Continued)

As of December 31, 2017 and 2016, the Company had federal and state net operating loss carry forwards of approximately $5,538,000 and $5,530,000, respectively. The net operating loss carry forwards will begin to expire in the year ending December 31, 2035, if not utilized.

The Tax Cuts and Jobs Act ("Tax Act") of 2017 was signed into law on December 22, 2017, resulting in an enacted tax rate of 21% effective January 1, 2018. The change in corporate income tax rates from 34% to 21% resulted in the reduction of net deferred tax assets (prior to the valuation allowance) of approximately $869,000 during 2017. The provision for income taxes differs from the amount of income tax determined by applying the U.S. federal income tax rate of 34% to pre-tax income for the current tax provision and certain current deferred tax assets, and 21% to pre-tax income for non-current deferred tax assets and liabilities primarily as a result of the change in tax law. Since the Company maintains a full valuation allowance against the overall deferred tax asset, the Tax Act had no impact on the consolidated financial statements.

All tax returns will remain open for examination by the federal and state taxing authorities for three and four years, respectively, from the date of utilization of any net operating loss carryforwards.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

During 2017 and 2016, the Company provided contract management services to and leased land and buildings to PMACC (Notes 11 and 12). The Company and PMACC share key management personnel. For the years ended December 31, 2017 and 2016, the Company derived the entirety of its revenue from PMACC.

At December 31, 2017 and 2016, the Company had accounts receivable balance with PMACC in the amount of $9,641,424 and $2,571,645, respectively. The outstanding accounts receivable balances due from PMACC are unsecured and expected to be settled with cash.

During 2016, PMACC paid expenses on behalf of the Company during its startup phase. At December 31, 2016, the Company owed PMACC $538,259. The balance was paid in full in 2017. In December 2017, the Company sold its interests in a cannabis license located in San Leandro, California to PMACC. The Company recognized a gain on the sale in the amount of $2,500,000 as a result of the transaction entered into a note receivable with PMACC with a principal amount of $3,000,000 at a 2% interest rate. All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company has recorded a discount in the amount of $2,165,814 on the note receivable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At December 31, 2017 and 2016, the note had a net discount of $2,161,302 and $0, respectively. As a result, the net gain on the sale of investment was $334,186.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

10. RELATED PARTY TRANSACTIONS (Continued)

The Company has two other notes receivables due from PMACC. These notes are due on demand and do not bear interest. At December 31, 2017 and 2016, the balance of these notes receivables was $1,055,074 and $1,090,208.

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

Compensation of key management personnel for the years ended December 31:

	2017	2016
Management compensation	$ 1,611,945	$ 1,424,497
Directors' fees	-	-
Share-based payments	57,986	99,654
	$ 1,669,931	**$ 1,524,151**

11. RENTAL REVENUE – RELATED PARTY

The Company leases cultivation facilities, buildings, and improvements to PMACC (Note 10). The lease agreement commenced on September 15, 2016, with a six-year term subject to an automatic five-year extension. PMACC may opt out of the automatic extension by providing notice at least three months, but no earlier than six months, prior to the expiration of the initial term. The lease calls for monthly rent amounts ranging from $185,895 to $801,550 as additional rentable square foot is delivered.

For the years ended December 31, 2017 and 2016, total rental revenue was $2,086,822 and $257,336, respectively. Future minimum rental payments due under the leases are as follows:

Year Ending December 31	Amount
2018	$ 4,397,275
2019	8,764,110
2020	9,288,449
2021	9,501,142
2022	7,007,745
	$ 38,958,721

12. CONTRACT SERVICES REVENUE – RELATED PARTY

On September 15, 2016, the Company entered into an agreement, through its subsidiary Savature, with PMACC (Note 10), to provide cultivation and management services (the "Savature Contract"). The Savature Contract has a six-year term and automatically renews for an additional five-year term unless the Company and PMACC mutually agree not to extend the term.

The Savature Contract stipulates that PMACC will reimburse the Company at cost for all expenses related to the management services provided ("Reimbursable Expenses"). The Company recognized revenue related to reimbursements of $4,849,174 and $1,787,568 for the years ended December 31, 2017 and 2016, respectively.

The Savature Contract also provides for fees to be paid by PMACC to the Company based upon the sales performance of products produced under the contract ("MSA Fees"). The Company records MSA Fees received under this agreement as contract services revenue. For the years ended December 31, 2017 and 2016, the Company recognized MSA Fees revenue of $944,702 and $277,795, respectively.

On July 1, 2016, the Company, through its subsidiary, FLRish Retail Management & Security Services, LLC ("RMCO"), entered into a contract with PMACC to provide services regarding the processing, retailing and dispensing of cannabis, cannabis infused products, and related products and educational materials in connection with PMACC operations (the "RMCO Contract"). The RMCO Contract has a term of five years and shall renew automatically for two additional five-year periods, unless, on or before the date of renewal, the Company or the clients determine, in their sole discretion, that the agreements shall not renew.

Fees for services rendered by the Company are equal to 15% of PMACC's gross revenues and are payable monthly. For the years ended December 31, 2017 and 2016, the Company recognized contract services revenue of $6,801,312 and $2,648,434, respectively, related to the RMCO contract. Additionally, in 2016 the Company performed vertical integration consulting services for PMACC's location in San Jose, CA. Fees for this service totaled $0 and $1,090,208 for the years ended December 31, 2017 and 2016, respectively.

13. SALE-LEASEBACK

On July 14, 2017, the Company entered into a sale-leaseback transaction with CFP for a cultivation property located in Salinas, California (the "Farm"). The total sale price for the Farm was $9,080,000. In addition to the property, the sale included all furniture, fixtures, and equipment attached to the property.

The gain from the sale is recognized over the life of the lease. As of December 31, 2017, the deferred gain balance was $330,917.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

13. SALE-LEASEBACK (Continued)

Subsequent to the sale, the Company entered into a lease agreement (the "Lease") with CFP for the property and equipment located at the Farm. The Lease commenced on July 18, 2017, with a term of 108 full months expiring on July 18, 2026. The Company has the option to extend the term of the Lease for an additional three years.

In addition to scheduled rent payments the Company is responsible for all insurance, property taxes, and operating expenses related to the property.

The Lease grants the Company a call option to purchase the property under the terms set forth in the agreement and as summarized in the table below. Beginning on the thirty-seventh month after the commencement of the Lease, and through the term of the Lease and any extension period, the Company has the ability to exercise its call option for two months, at every six-month interval. In the event that the Company desires to purchase the property prior to the thirty-seventh month after the commencement of the Lease, the Company may purchase the property on the subject to a make whole provision which guarantees the Landlord a 15% internal rate of return for the first 3 years.

The Lease grants CFP a put option to sell the property under the terms set forth in the agreement and as summarized in the table below. Beginning on the eight-fifth month after commencement of the Lease, CFP shall have the option for two months, at every twelve-month interval, to require that the Company purchase the property from CFP.

Lease Year	Annual Base Rent	Tenant Call Option Strike Price	Landlord Put Option Strike Price
1-3	$ 817,200	$13,266,025 - $10,882,525	N/A
4-6	$ 908,000	$10,814,425 - $12,151,088	N/A
7-9	$ 998,800	$12,880,154 - $14,472,141	$13,652,963 - $14,472,141
10 - 12 [1]	$ 1,089,600	$15,340,469 - $17,236,551	$15,340,469 - $17,236,551

[1] Extension period

14. IMPAIRMENT LOSS

The Company began investing in the development of a property in Oakland, California (the "Cannery") in the last quarter of 2015. In the second quarter of 2017, the Company decided to exit the Cannery project due to increasing capital costs and limited paths to recapture investment in capital improvements. On May 2, 2017, the Company and 5733 San Leandro, LP, the landlord, entered into a lease termination agreement that waived any further rights against the Company in exchange for a mutual waiver and the forfeiting of any deposits. In conclusion with the lease termination the Company wrote off its investments in the Cannery resulting in an impairment loss in the amount of $3,637,574 during the year ended December 31, 2017.

15. CONCENTRATIONS AND RISKS

(a) Market

The Company operations are currently limited to providing services to cannabis operations in Northern California. Any changes in the applicable rules governing the cultivation, manufacturing, distributing, or sale of cannabis, in California or the local jurisdictions in which the Company provides services could negatively impact the Company's operations.

(b) Customers

For the years ended December 31, 2017 and 2016, the Company derived all contract and rental revenue from one customer, PMACC, a related-party (Note 10). Any changes in the applicable rules governing the cultivation, manufacturing, distributing, or sale of cannabis, in California or the local jurisdictions in which the customer provides services could negatively impact the Company's operations.

(c) California Operating Licenses

Effective January 1, 2018, the State of California allowed for adult use cannabis sales. Beginning on January 1, 2018, the State began issuing temporary licenses that expired 120 days after issuance for retail distribution and cultivation permits. The cannabis operations served by the Company submitted their applications for the annual licenses in April 2018 and are operating under active temporary licenses which have been extended through to April 2019.

Additional regulations relating to testing cannabis products came into effect on July 1, 2018, required the Company's clients to sell products that would be non-compliant prior to that date. Due to the additional testing requirements effective July 1, 2018, the California market and the Company's clients experienced a shortage in supply of compliant products during the first two weeks of July 2018. The supply chain for the Company's clients have stabilized subsequently.

Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in California, marijuana is a Schedule-I controlled substance under the Controlled Substances Act and its use remains a violation of federal law. Since federal law criminalizing the use of marijuana preempts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in our inability to proceed with our business plan, especially in respect to managing our clients' marijuana cultivation, production and dispensaries. In addition, our assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because marijuana is still federally illegal. While management of the Company believes that the Company is in compliance with applicable local and state regulation as at December 31, 2017, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

16. COMMITMENTS AND CONTINGENCIES

(a) Legal Claims

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability amount can be reasonably estimated.

On March 22, 2016, the Company commenced litigation with a former executive. This matter was settled for a $310,000 payment by the Company on November 29, 2017.

In February 2018, a former employee of the Company filed suit against the Company and various officers and directors, this matter was settled on July 11, 2018, for a payment of $154,000.

In May 2018, a former CEO of the Company issued a demand for arbitration to the Company. The Company has asserted its own claims against the former employee. As a result of the claims against the former employee and his continuing inability to provide documentation, the Company believes it will be successful in defending the former employee's claims in arbitration.

In August 2018, an employee asserted claims against the Company. In November 2018, the parties have agreed to settle the matter for $300,000 to be paid on a payment schedule ending December 2019.

(b) Leases

The Company leases its cultivation facilities under an escalating lease commencing in July 2017 and expiring in July 2026. For the years ended December 31, 2017 and 2016, rent expense totaled $363,200 and $0, respectively. At December 31, 2017, the Company recorded a deferred rent liability in the amount of $38,000 to adjust the lease obligation to straight-line amortization. The deferred rent is classified as a long-term liability as the deferral will be reversed in periods beyond 2018.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

16. COMMITMENTS AND CONTINGENCIES (Continued)

(b) Leases (Continued)

Future minimum rental payments due from the Company under the lease agreement are as follows:

Year Ending December 31	Amount
2018	$ 817,200
2019	817,200
2020	855,035
2021	908,004
2022	908,004
Future periods	3,529,657
	$ 7,835,100

(c) Employment Agreements

Certain of the Company's employees have employment agreements under which the Company is obligated to make severance payments, accelerate vesting of stock options and provide other benefits in the event of the employee's termination, change in role or a change in control as defined in such agreements.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities, note payables and accrued interest.

(b) Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

(c) Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(e) Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term. The Company considers interest rate risk to be immaterial.

(g) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

At December 31, 2017 and 2016, the carrying amount of cash was $1,490,612 and $4,334,348, respectively, accounts receivable was $9,641,424 and $2,571,645, respectively, and notes receivable was $1,893,772 and $1,090,208, respectively, represent the maximum exposure to credit risk.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(g) Credit Risk (Continued)

The Company's credit risk is primarily attributable to its accounts receivables and notes receivable. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company has significant exposure to a single customer, PMACC (Note 10). The Company has estimated bad debts of $0 at December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Company's aging of receivables was approximately as follows:

	2017	2016
0 - 60 days	$ 7,546,475	$ 2,201,960
61+ days	2,094,949	369,685
	$ 9,641,424	**$ 2,571,645**

(h) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At December 31, 2017 and 2016, the Company had cash of $1,490,612 and $4,334,348, respectively, and working deficit of $5,909,535 and working capital of $5,037,323, respectively. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

In addition to the commitments outlined in Note 16, the Company has the following contractual obligations:

	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 4,440,441	$ 4,440,441	$ -	$ -	$ -
Notes payable and accrued interest	14,931,732	11,012,896	18,290	546	3,900,000
Notes payable and accrued interest - related party	1,700,000	1,700,000	-	-	-
	$21,072,173	**$17,153,337**	**$ 18,290**	**$ 546**	**$ 3,900,000**

18. CAPITAL MANAGEMENT

The Company considers its capital structure to include contributed capital, accumulated deficit, non-controlling interests and any other component of shareholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the years ended December 31, 2017 and 2016.

19. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the audit report, which is the date the consolidated financial statements were available to be issued.

(a) FMI Consulting Agreement

On February 28, 2018, FMI Capital Advisory, Inc. ("FMICA"), a Canadian investment banking group, and FLRish executed a consulting agreement whereby FMICA would provide merger and capital raising consulting services to the Company. FMICA is compensated by means of a monthly fee in the amount of Canadian Dollar ("CAD") $15,000 and a success fee for either an M&A transaction or an acquisition ranging from 2-4% of the transaction value.

On December 3, 2018, FMICA and FLRish entered into an advisory agreement whereby FMICA would provide additional consulting services to FLRish in addition to those contemplated under the consulting agreement dated February 28, 2018. In consideration of the additional services provided by FMICA pursuant to the agreement, FMICA is entitled to cash fees equal to an aggregate of CAD $1,000,000 and 143,241 broker warrants ("Broker Warrant"). Each Broker Warrant is exercisable into one share of Series B Common Stock at an exercise price of CAD $6.90 per share until the earlier of 60 months from December 3, 2018 and 24 months from the completion of a Going Public Transaction (Note 19 (i)), subject to adjustment and/or acceleration in certain circumstances.

19. SUBSEQUENT EVENTS (Continued)

(b) TSE Agreement

TSE Consulting, LLC ("TSE") provides cultivation management services to the Company as a contractor pursuant to the cultivation consulting agreement executed on February 24, 2018, between TSE and Savature. TSE is paid a base rate of $100,000 per month which covers employment of onsite staff by TSE as well as performance based compensation varying from 2.5% to 3.75% of wholesale gross revenue and potential compensation for genetics developed by TSE. The agreement terminates on June 30, 2020.

(c) Roger Jenkins Advisory Agreement

On March 12, 2018, the Company entered into a one year advisory agreement with Roger Jenkins to provide capital strategy and advice, to assist with investor relations, and to assist in the Company's $6,500,000 Series A financing round, which was completed on April 30, 2018. Jenkins continues to provide advice and support for forward looking capital strategies. The agreement provides for remuneration in a total annual cash payment of $200,000. In addition, stock options to purchase up to 240,000 shares of Series A Common stock at an exercise price of $4.15 were granted to Mr. Jenkins on April 25, 2018, pursuant to his advisory agreement.

(d) Merger of Savature, Inc. with FLRish Farms, LLC

On April 29, 2018, FLRish Farms, LLC ("FLRish Farms"), a wholly owned subsidiary of the Company and LMS merged LMS's 31.5% interest in Savature LLC, Savaca LLC, FFC1 LLC and FLRish Farms Cultivation LLC, into FLRish Farms in exchange for 11,156,626 shares of Series B Common stock of the Company (Note 8).

Subsequent to the merger, FLRish Farms, LLC was converted to FLRish Farms, Inc. and Savature, LLC converted to Savature, Inc. This transaction was structured as a reverse triangular merger in which FLRish Farms merged into Savature, Inc., the surviving entity.

(e) Multi Party Merger Agreement

On April 29, 2018, FLRish Flagship Enterprises, Inc. ("FFE"), a wholly owned subsidiary of the Company, entered into a Multi Party Agreement (the "MPMA") with a 50% shareholder ("Shareholder 1") of PMACC. The MPMA relates to the potential exchange of FLRish, Inc. shares for shares of PMACC and San Jose Wellness Corporation ("SJW") and the subsequent merger of those entities into FFE.

19. SUBSEQUENT EVENTS (Continued)

(e) Multi Party Merger Agreement (Continued)

Under the terms of the MPMA, FLRish would issue 1,204,819 shares of Series B Common stock, which were placed in escrow until either of the following occur: (a) a purchase agreement is obtained from the other 50% shareholder of PMACC ("Shareholder 2"); or (b) a forced buyout of the Shareholder 2's interests can occur and is exercised by Shareholder 1 and paid for by the Company at its discretion. In the event that neither of those events occur prior to the sixty-sixth (66th) month from the effective date of the MPMA, the escrow shall be cancelled and the shares returned to the Company.

On September 27, 2018, Shareholder 2 entered into a binding term sheet with the Company relating to the exchange, by merger, of all of the stock of PMACC and SJW in exchange for initial consideration equal to 1,686,547 shares of Series B shares of Common Stock and later consideration equal to 30% of the difference between $29,000,000 and the final judgment amount, or a negotiated settlement amount, of the tax litigation related to PMACC and SJW, payable in stock at the value at such time.

On January 7, 2019, the Company entered into merger option agreements that superseded prior MPMA agreements providing the right to purchase, and merge into subsidiaries of FLRish, all of the interests of PMACC and SJW with Shareholder 1 and Shareholder 2. Pursuant to the terms of the merger option agreements, the Company has the right to exercise the merger options at any time. In exchange for the merger option, the Company issued 1,581,467 Series B Common Shares to Shareholder 1 and 2,469,781 Series B Common Shares to Shareholder 2.

The proposed merger agreements will take place subject to the reverse takeover transaction described in Note 19 (i).

(f) Capital Raise

On April 30, 2018, the Company issued 1,325,299 shares of Series A-1 Preferred stock to various parties in exchange for aggregate gross proceeds of $5,500,000. During this capital raise, all convertible debt was also converted to equity. In conjunction with the capital raise, the articles of incorporation of the Company were amended and restated to include five classes of shares: Series A-1 Preferred stock, Series A-2 Preferred stock, Series A Common stock, Series B Common stock, and Series C Common stock.

19. SUBSEQUENT EVENTS (Continued)

(g) Term Loan

On September 7, 2018, the Company received a notice of default from CFP. Management has responded to the notice and believes all items identified in the notice have been cured. In response, the Company has asserted its default remedies against CFP to reduce loan principal consistent with terms outlined in the loan documents. On December 17, 2018, the Company entered into a settlement agreement with CFP, pursuant to which the parties agreed to settle all claims with respect to the loan. The terms of the settlement agreement provide that the Company shall pay to CFP all outstanding principal balance at December 17, 2018 as follows: $2,000,000 payable in monthly installments ending in September 2019 and issuance of 8,624 Units offered in the Company's Series B Unit Offering (Note 19 (h)).

(h) Series B Unit Offering

In October and November 2018, the Company completed a private placement (the "Unit Offering") of 34,778 units of the Company (the "Units") at a price of CAD $1,000 per Unit (the "Offering Price") for aggregate gross proceeds of CAD $34,778,000. The Company completed the initial closing of the Unit Offering on October 30, 2018, with the issuance and sale of 6,212 Units. On November, 16, 2018, The Company completed the second closing of the Unit Offering with the issuance and sale of 28,566 Units.

Each Unit is comprised of $1,000 principal amount of 12.0% unsecured convertible debentures ("Debentures") and 87 share purchase warrants ("Warrants").

The Debentures are governed by a debenture indenture dated as of October 30, 2018, between FLRish and Odyssey Trust Company as debenture trustee (the "Debenture Indenture"). The Debentures will mature on October 30, 2021 (the "Maturity Date"), and bear interest at a rate of 12.0% per annum, payable, semi-annually in arrears. Interest will be payable in cash or by issuing shares of Series B Common stock of FLRish ("Underlying Shares") at a price of CAD $6.90 per share. The principal amount of each Debenture will be convertible into Underlying Shares at the option of the holder at any time prior to the Maturity Date and automatically upon completion of a Going Public Transaction (Note 19 (i)) at a conversion price equal to the lower of: (a) CAD $6.90; or (b) a 10% discount to the Resulting Issuer's (Note 19 (i)) share price at listing for a financing equal to CAD $5,000,000 or greater ("Conversion Price"), subject to adjustment. FLRish has the right to prepay the principal amount of the Debentures at any time. Each Warrant is exercisable into one Underlying Share at a price of CAD $8.60 per share until October 30, 2020, subject to adjustment and/or acceleration in certain circumstances. The Warrants are governed by a warrant indenture dated as of as of October 30, 2018, between FLRish and Odyssey Trust Company as warrant agent.

19. SUBSEQUENT EVENTS (Continued)

(h) Series B Unit Offering (Continued)

On December 31, 2018, an aggregate of 80,589 Underlying Shares were issued and an aggregate of CAD $807 in cash was paid to holders of Debentures in satisfaction of the first interest payment.

Foundation Markets Inc. ("FMI") received a cash commission equal to 7% of the aggregate proceeds of sales of the Units to non-U.S. purchasers and 168,303 broker warrants in consideration for acting as agent in connection with the Unit Offering. Each Broker Warrant is exercisable into one Underlying Share at an exercise price of CAD $6.90 per share until the earlier of 60 months from October 30, 2018, and 24 months from the completion of a Going Public Transaction (Note 19 (i)), subject to adjustment and/or acceleration in certain circumstances.

(i) Reverse Take Over

On February 8, 2019, FLRish, Lineage Grow Company Ltd. ("Lineage") and Lineage Merger Sub Inc., a wholly owned subsidiary of Lineage ("Merger Sub"), entered into a merger agreement (the "Merger Agreement") pursuant to which, among other things, FLRish will complete the reverse takeover of Lineage (the "Transaction").

Pursuant to the Merger Agreement, Lineage will complete a consolidation of its common shares at a ratio to be determined, create subordinate voting shares and multiple voting shares, and reclassify its common shares on a post-consolidation basis as subordinate voting shares. FLRish and Merger Sub will then merge and, subject to the terms and conditions of the Merger Agreement, Lineage will acquire all of the issued and outstanding shares of FLRish in exchange for post-consolidation shares of Lineage. All convertible securities of FLRish will be exchanged for equivalent securities of Lineage which will, automatically and without any required action on the part of any holder or beneficiary thereof, entitle the holders to acquire securities of Lineage in lieu of securities of FLRish based on the same terms and subject to the same conditions as the existing convertible securities.

On completion of the Transaction, Lineage is expected to be renamed "Harborside, Inc." (the "Resulting Issuer") and the subordinate voting shares of the Resulting Issuer are expected to be listed for trading on the Canadian Securities Exchange. The Transaction remains subject to shareholder and regulatory approval.

The Resulting Issuer will be owned as to approximately 94% by FLRish security holders and as to approximately 6% by Lineage shareholders. As a result, the Transaction has been accounted for as a business combination, with FLRish being identified as the acquirer.

19. SUBSEQUENT EVENTS (Continued)

(j) Acquisition

On April 23, 2019, RMCO entered into a definitive stock purchase agreement with Airfield Supply Company and its owner pursuant to which, among other things, the Company would acquire 100% of the outstanding capital stock of Airfield for purchase price that is based on the following formula: an average of (x) 1.3x Airfield's revenue and (y) 7x Airfield's EBITDA, in each case of the period commencing April 1, 2018 through March 1, 2019, estimated at $41,800,000. The closing of the transaction is conditional, among other things, on approval of the transaction by the Company's Board of Directors and stockholders, as well as the raising of $60 million on terms determined appropriate by the Company.

(k) Notes Receivable

On October 29, 2018, the Company loaned $2,700,000 to PMACC by way of a promissory note bearing interest of 12%. All principal and accrued interest are payable in a balloon payment due October 29, 2019.

On November 16, 2018, the Company issued a promissory note to Lineage with a principal amount of CAD $2,000,000 at 12% interest. All principal and accrued interest are payable in a balloon payment due November 19, 2019.

(l) Option Issuances

Subsequent to December 31, 2017, the Company issued 2,655,500 options with vesting period ranging from one to three years to various directors, employees, and key management.

(m) Shareholder 2 Severance

On January 8, 2019, Shareholder 2 received a severance package of $600,000 paid over twenty four months.

FLRISH, INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

FLRISH, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018 and December 31, 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Current Assets			
Cash		$ 368,484	$ 1,490,612
Accounts Receivable - Related Party, net	Note 11	17,275,402	9,641,424
Prepaid Expenses		260,002	150,319
Total Current Assets		**17,903,888**	**11,282,355**
Non-current Assets			
Property and Equipment, Net	Note 5	8,701,319	7,094,641
Note Receivable - Related Party, net	Note 11	1,218,945	1,893,772
Deposits		277,130	326,366
Total Non-current Assets		**10,197,394**	**9,314,779**
Total Assets		**$ 28,101,282**	**$ 20,597,134**
Liabilities and Shareholders' Equity (Deficit)			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	Note 6	$ 5,757,807	$ 4,440,441
Notes Payable and Accrued Interest, Current Portion	Note 7	1,404,996	11,012,896
Notes Payable and Accrued Interest - Related Party	Note 7	-	1,700,000
Deferred Gain on Sale of Equipment	Note 13	38,553	38,553
Total Current Liabilities		**7,201,356**	**17,191,890**
Long Term Liabilities			
Notes Payable, Net of Current Portion	Note 7	7,246,922	3,881,336
Derivative Liability	Note 9	11,726,940	-
Deferred Gain on Sale of Equipment	Note 13	263,449	292,364
Deferred Rent	Note 16	106,400	38,000
Total Long Term Liabilities		**19,343,711**	**4,211,700**
Total Liabilities		**26,545,067**	**21,403,590**
Shareholders' Equity (Deficit)			
Share Capital	Note 8	26,626,666	100,949
Contributed Surplus		(8,297,487)	231,989
Accumulated Deficit		(16,772,964)	(10,278,898)
Non-Controlling Interest	Note 4	-	9,139,504
Total Shareholders' Equity (Deficit)		**1,556,215**	**(806,456)**
Total Liabilities and Shareholders' Equity (Deficit)		**$ 28,101,282**	**$ 20,597,134**

Approved and authorized on behalf of the board of directors on April 30, 2019:

Andrew Berman Director   Matthew Hawkins Director

See accompanying notes to the unaudited interim condensed consolidated financial statements

FLRISH, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Month Periods Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	**2017**	**2018**	**2017**
Services Revenue - Related Party		$ 4,894,336	$ 3,506,431	$ 12,498,779	$ 9,403,212
Rental Revenue - Related Party	Note 12	1,099,319	523,081	3,297,956	1,563,741
Total Revenue		**5,993,655**	**4,029,512**	**15,796,735**	**10,966,953**
Cost of Revenue		2,348,293	1,323,470	5,911,625	2,796,701
Gross Profit		**3,645,362**	**2,706,042**	**9,885,110**	**8,170,252**
Expenses					
General and Administrative		2,542,975	2,224,984	8,607,751	5,890,792
Professional Fees		625,062	678,356	1,452,226	2,062,026
Share-Based Compensation	Note 10	1,016,669	22,762	3,197,464	61,043
Impairment Loss	Note 14	-	-	-	3,636,374
Depreciation and Amortization		215,615	21,766	453,087	215,678
Total Operating Expenses		**4,400,321**	**2,947,868**	**13,710,528**	**11,865,913**
Loss from Operations		**(754,959)**	**(241,826)**	**(3,825,418)**	**(3,695,661)**
Other Income (Expense)					
Interest Expense, Net		(349,050)	(401,521)	(1,249,632)	(894,541)
Amortization of Discount	Note 11	67,683	-	203,049	-
Gain on Sale of Equipment		9,638	6,426	44,425	64,026
Other Expenses		(300,000)	-	(300,000)	-
Total Other Income (Expense)		**(571,729)**	**(395,095)**	**(1,302,158)**	**(830,515)**
Loss Before Provision for Income Taxes		**(1,326,688)**	**(636,921)**	**(5,127,576)**	**(4,526,176)**
Provision for Income Taxes		-	-	10,400	10,400
Net Loss Before Non-Controlling Interest		**(1,326,688)**	**(636,921)**	**(5,137,976)**	**(4,536,576)**
Net Income (Loss) Attributable to Non-Controlling Interest	Note 4	-	(140,726)	-	704,160
Net Loss Attributable to FLRish, Inc		$ (1,326,688)	$ (496,195)	$ (5,137,976)	$ (5,240,736)

See accompanying notes to the unaudited interim condensed consolidated financial statements

FLRISH, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Nine Month Period Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Share Capital	Contributed Surplus	Accumulated Deficit	Non-Controlling Interest	Total
Balance, January 1, 2017	$ 50	$ 137,750	$ (4,336,839)	$ 9,751,044	$ 5,552,005
Exercise of Stock Options	79,019	-	-	-	79,019
Share-Based Compensation	-	61,043	-	-	61,043
Net Loss	-	-	(5,240,736)	704,160	(4,536,576)
Balance, September 30, 2017	$ 79,069	$ 198,793	$ (9,577,575)	$ 10,455,204	$ 1,155,491
Balance, January 1, 2018	$ 100,949	$ 231,989	$ (10,278,898)	$ 9,139,504	(806,456)
Adjustment Related to the Adoption of IFRS 9 - Credit Loss Reserve	-	-	(493,737)	-	(493,737)
Exercise of Stock Options	13,438	-	-	-	13,438
Share-Based Compensation	-	3,197,464	-	-	3,197,464
Series A Preferred Stock Dividends	-	-	(601,857)	-	(601,857)
Equity - Series A Preferred Stock Offering	5,500,000	-	-	-	5,500,000
Share Issuance Costs	(292,118)	-	-	-	(292,118)
Conversion of Convertible Debt to Series A Preferred Stock	12,304,397	-	-	-	12,304,397
Purchase of Non-Controlling Interest by Issuance of Series B Common Stock	9,000,000	-	(260,496)	(8,739,504)	-
Fair Value of Derivative Liability	-	(11,726,940)	-	-	(11,726,940)
Distribution to Non-Controlling Interest	-	-	-	(400,000)	(400,000)
Net Loss	-	-	(5,137,976)	-	(5,137,976)
Balance, September 30, 2018	$ 26,626,666	$ (8,297,487)	$ (16,772,964)	$ -	$ 1,556,215

See accompanying notes to the unaudited interim condensed consolidated financial statements

FLRISH, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Month Period Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Nine Months Ended September 30, 2018 (Unaudited)	Nine Months Ended September 30, 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (5,137,976)	$ (4,536,576)
Adjustments to Reconcile Net Loss to Net Cash Used In Operations:		
Depreciation and Amortization	453,087	215,678
Accreted Interest	297,009	748,941
Amortization of Discount	(203,049)	-
Share Based Compensation	3,197,464	61,043
Deferred Rent	68,400	-
Impairment Loss	-	3,636,374
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Related Party	(7,633,978)	(5,145,270)
Affect of adoption of IFRS 9	(493,737)	-
Prepaid Expenses	(109,683)	(40,021)
Deposits	49,237	(251,206)
Accounts Payable and Accrued Liabilities	715,509	729,057
Accounts Payable - Related Party	-	(538,259)
Deferred Gain on Sale of Equipment	(28,915)	340,555
NET CASH USED IN OPERATING ACTIVITIES	(8,826,632)	(4,779,684)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,059,765)	(7,484,025)
Proceeds from Sale of Property and Equipment	-	8,772,530
Advances to Related Party	(187,199)	-
Proceeds from Payment on Notes Receivable	1,065,075	-
Purchase of Investments	-	(553,990)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,181,889)	734,515
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Convertible Notes	-	850,000
Proceeds from Notes Payable, Net of Loan Fees	5,185,500	4,618,222
Payment on Notes Payable	(1,120,426)	(4,223,729)
Proceeds from Exercise of Stock options	13,438	79,019
Proceeds from Series A Preferred Stock Offering, Net of Issuance Costs	5,207,881	-
Distribution to Non-Controlling Interest	(400,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,886,393	1,323,512
DECREASE IN CASH	(1,122,128)	(2,721,657)
CASH, BEGINNING OF PERIOD	1,490,612	4,334,348
CASH, END OF YEAR	$ 368,484	$ 1,612,691
Supplementary information:		
Interest Paid	$ 952,623	$ 145,652
Income Taxes Paid	$ 10,400	$ 10,400
Property and Equipment Acquired Through Accrual	$ 1,794,902	$ 894,690
Cumulative Impact of Adoption of IFRS 9	$ 493,737	$ -
Purchase of Non-controlling Interest by Issuance of Series B Common Stock	$ 9,000,000	$ -
Conversion of Note Payable to Series A Preferred Stock	$ 12,304,397	$ -
Accrued Dividends	$ 601,857	$ -
Fair Value of Derivative Liability	$ 11,726,940	$ -

1. NATURE OF OPERATIONS

FLRish, Inc. ("FLRish"), a California corporation, was incorporated on November 24, 2015, under the State of California Corporations Code in the United States of America.

FLRish, together with its wholly owned subsidiaries (collectively, the "Company"), provides real estate rental, advisory and administrative services as well as services related to the processing, retailing and dispensing of cannabis, cannabis infused products ("CIPS"), related products, and educational materials connected with the operation of cannabis businesses located in the State of California. The Company only engages with those clients who are properly licensed and in good standing with State and local law.

The address of the Company's principal place of business and registered records office address is 2100 Embarcadero, Suite 205, Oakland, California, United States of America.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), using accounting polices consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The unaudited interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and crucial estimates used in preparing these unaudited interim condensed consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as of and for the year ended December 31, 2017, except for the adoption of new accounting standards described in Note 3 (f).

Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the December 31, 2017, audited consolidated financial statements of the Company and related notes thereto.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors of the Company on April 30, 2019.

(b) Basis of Measurement

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

2. BASIS OF PREPARATION (Continued)

(c) Functional Currency

These unaudited interim condensed consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar.

(d) Basis of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and the following entities, which are controlled by the Company.

Entity	Place of incorporation	Effective ownership September 30, 2018	Effective ownership September 30, 2017
FLRish IP, LLC	California	100%	100%
FLRish Retail, LLC	California	100%	100%
FLRish Retail Management & Security Services, LLC	California	100%	100%
FLRish Retail Affiliate, LLC	California	100%	100%
FLRish Flagship Enterprises, Inc. (formerly FLRish Farms, Inc.)	California	100%	100%
FLRish Farms, LLC (merged into Savature, Inc.)	California	100%	100%
Savature, Inc. (formerly Savature, LLC)	California	100%	68.5%
Savaca, LLC	California	100%	68.5%
FFC1, LLC	California	100%	68.5%
FLRish Farms Cultivation 8, LLC	California	100%	68.5%

All intercompany balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Account and Note Receivables

Accounts and notes receivable are recorded net of allowance. The Company provides for probable losses on accounts and notes receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Company has used reasonable collection efforts are written off. At September 30, 2018, all receivables were due from Patients Mutual Assistance Collective Corporation ("PMACC"), a related-party, for rental and contract services performed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property and Equipment

Property and equipment purchases are capitalized at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the respective assets as follows:

Agricultural buildings	15 years
Agricultural equipment	5 years
Furniture and fixtures	7 years
Office equipment	5 years
Security equipment	5 years
Computer equipment	3 years
Leasehold improvements	Remaining life of lease

Expenditures for repairs and maintenance are charged to General and Administrative Expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period. The Company annually reviews the property and equipment records for impairment of value and records any adjustments necessary. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the year the asset is derecognized.

Certain capital assets have been pledged as collateral for a debt obligation (Note 7(c)).

(c) Leases

Leases that do not transfer to the Company substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term (Note 16).

(d) Share-Based Compensation

The fair value of share-based payments related to restricted stock awards granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity.

For equity-settled share-based payment transactions with employees, the fair value is measured at the grant date and recognized over the period during which the share-based payments vest with a corresponding increase in equity. The fair value of the share-based payments granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share-based payments were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share-based payments that are expected to vest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Derivative Liability

The Company uses the fair-value method of accounting for derivative liability and such liability is remeasured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using the Monte Carlo method. Critical estimates and assumptions used in the model are discussed in Note 9.

(f) New or Amended Standards Effective January 1, 2018

The Company has adopted the following new or amended IFRS standards for the period beginning January 1, 2018.

(i) IFRS 7 – Financial Instruments: Disclosure

IFRS 7, *Financial Instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The adoption of this new standard did not have a material impact on its consolidated financial statements.

(ii) IFRS 9 – Financial Instruments

IFRS 9 *Financial Instruments* replaced IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The Company adopted IFRS 9 using the retrospective approach where the cumulative impact of adoption was recognized in accumulated deficits as of January 1, 2018, and comparatives will not be restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

- *Amortized cost*

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) New or Amended Standards Effective January 1, 2018 (Continued)

(ii) IFRS 9 – Financial Instruments (Continued)

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost, except derivatives, which are measured at fair value through profit or loss.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Accounts Receivable	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost

Financial Liabilities:		
Accounts Payable and Accrued Liabilities	Other financial liabilities	Amortized cost
Notes Payable to Related and Nonrelated Parties	Other financial liabilities	Amortized cost
Derivatives	Other financial liabilities	Fair Value Through Profit or Loss

The Company adopted IFRS 9 reporting as of January 1, 2018, which resulted in an adjustment to equity of $493,737. The Company has taken an exemption not to restate comparative information for prior periods. Therefore, comparative periods have not been restated, and the results of adopting IFRS 9 have been recognized in accumulated deficit as at January 1, 2018.

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) New or Amended Standards Effective January 1, 2018 (Continued)

is written off. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets at amortized cost.

(iii) IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18 Revenue, in its entirety with IFRS 15 Revenue from Contracts with Customers. The Company adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption was recognized in retained earnings as of January 1, 2018, and comparatives will not be restated.

The 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 assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1) Identify the contract with a customer;
2) Identify the performance obligation(s) in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligation(s) in the contract; and
5) Recognize revenue when or as performance obligation(s) are satisfied.

Management service revenues earn from the Company’s clients are recognized monthly as performance obligations set forth in the management services agreements are completed. Payment is typically due upon the issuance of the invoice for the completed performance obligations. This timing of recognition is consistent with the Company’s previous revenue recognition policy under IAS 18.

Incremental costs to obtain a contract with a customer are capitalized if the Company expects to recover those costs and are amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company had no capitalized incremental costs of obtaining a customer contract on adoption of IFRS 15 or as at September 30, 2018.

Based on the Company’s assessment, the adoption of this new standard had no impact on the amounts recognized in its condensed interim consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recent Accounting Pronouncements

The Company has not applied the following new and revised IFRS that has been issued but is not yet effective:

(i) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

4. SIGNIFICANT TRANSACTIONS

(a) Merger of Savature, Inc. with FLRish Farms, LLC

On April 29, 2018, FLRish Farms, LLC ("FLRish Farms"), a wholly owned subsidiary of the Company and Linnaeus Management Services, LLC ("LMS") merged LMS's 31.5% interest in Savature LLC, Savaca LLC, FFC1 LLC and FLRish Farms Cultivation LLC, into FLRish Farms in exchange for 11,156,626 shares of Series B Common Stock of the Company (Note 8), thereby, eliminating the non-controlling interest of $9,000,000, net of distribution received by LMS of $400,000.

Subsequent to the merger, FLRish Farms, LLC was converted to FLRish Farms, Inc. and Savature, LLC converted to Savature, Inc. This transaction was structured as a reverse triangular merger in which FLRish Farms merged into Savature, Inc. ("Savature"), the surviving entity.

(b) Multi Party Merger Agreement

On April 29, 2018, FLRish Flagship Enterprises, Inc. ("FFE"), a wholly owned subsidiary of the Company, entered into a Multi Party Merger Agreement (the "MPMA") with a 50% shareholder ("Shareholder 1") of PMACC. The MPMA relates to the potential exchange of FLRish, Inc. shares for shares of PMACC and San Jose Wellness Corporation ("SJW") and the subsequent merger of those entities into FFE.

4. SIGNIFICANT TRANSACTIONS (Continued)

(b) Multi Party Merger Agreement (Continued)

Under the terms of the MPMA, FLRish issued 1,204,819 shares of Series B Common stock, which were placed in escrow until either of the following occur: (a) a purchase agreement is obtained from the other 50% shareholder of PMACC ("Shareholder 2"); or (b) a forced buyout of Shareholder 2's interests can occur and is exercised by Shareholder 1 and paid for by the Company at its discretion. In the event that neither of those events occur prior to the sixty-sixth month from the effective date of the MPMA, the agreement shall be cancelled and the shares returned to the Company.

On September 27, 2018, Shareholder 2 entered into a binding term sheet with the Company relating to the exchange, by merger, of all of the stock of PMACC and SJW in exchange for initial consideration equal to 1,686,547 shares of Series B Common Stock and later consideration equal to 30% of the difference between $29,000,000 and the final judgment amount, or a negotiated settlement amount, of the tax litigation related to PMACC and SJW, payable in stock at the value at such time.

The proposed merger agreements will take place subject to the reverse takeover transaction described in Note 19 (d).

(c) TSE Agreement

TSE Consulting, LLC ("TSE") provides cultivation management services to the Company as a contractor pursuant to the cultivation consulting agreement executed on February 24, 2018, between TSE and Savature. TSE is paid a base rate of $100,000 per month, which covers employment of onsite staff by TSE as well as performance based compensation varying from 2.5% to 3.75% of wholesale gross revenue and potential compensation for genetics developed by TSE. The agreement terminates on June 30, 2020.

(d) FMI Consulting Agreement

On February 28, 2018, FMI Capital Advisory, Inc. ("FMICA"), a Canadian investment banking group, and FLRish executed a consulting agreement whereby FMICA would provide merger and capital raising consulting services. FMICA is compensated by means of a monthly fee in the amount of Canadian Dollar ("CAD") $15,000 and a success fee for either an M&A transaction or an acquisition ranging from two to four percent of the transaction value.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. SIGNIFICANT TRANSACTIONS (Continued)

(e) Roger Jenkins Advisory Agreement

On March 12, 2018, the Company entered into a one year advisory agreement with Roger Jenkins to provide capital strategy and advice, to assist with investor relations, and to assist in the Company's $6,500,000 Series A offering (Note 4 (f)), which was completed on April 30, 2018. Jenkins continues to provide advice and support for forward looking capital strategies. The agreement provides for remuneration in a total annual cash payment of $200,000. In addition, stock options to purchase up to 240,000 shares of Series A Common Stock at an exercise price of $4.15 were granted to Mr. Jenkins on April 25, 2018, pursuant to his advisory agreement. The stock options were valued at $996,000 and expire on April 25, 2028.

(f) Series A Offering

On April 30, 2018, the Company issued 1,325,299 shares of Series A-1 Preferred Stock to various parties in exchange for aggregate gross proceeds of $5,500,000 (the "Series A Offering"). As a result of the Series A Offering, $12,304,397 in convertible notes (Note 7 (d)), and accrued interests thereon were converted into 4,926,123 shares of Series A-1 Preferred Stock. The Company recorded $292,118 in share issuance costs for expenses incurred related to the Series A Offering.

5. PROPERTY AND EQUIPMENT

Property and Equipment assets consists of the following at September 30, 2018, and December 31, 2017:

	Agricultural buildings	Agricultural equipment	CIP	Furniture and fixtures	Land	Office and computer equipment	Security equipment	Leasehold improvements	TOTAL
At Cost									
As at January 1, 2017	$ 786,854	$ 206,932	$ 685,104	$ 40,654	$ 3,404,572	$ 68,617	$ 534,423	$ -	$ 5,727,156
Additions	2,030,038	635,320	7,673,788	-	-	78,964	38,715	2,572	10,459,397
Disposals	(2,490,592)	(433,748)	(2,076,768)	(32,657)	(3,404,572)	-	(547,719)	-	(8,986,056)
As at December 31, 2017	$ 326,300	$ 408,504	$ 6,282,124	$ 7,997	$ -	$ 147,581	$ 25,419	$ 2,572	$ 7,200,497
Additions	2,341,464	2,785,029	724,240	-	-	4,854	-	-	5,855,587
Disposals			(3,795,822)	-	-	-	-	-	(3,795,822)
As at September 30, 2018	$ 2,667,764	$ 3,193,533	$ 3,210,542	$ 7,997	$ -	$ 152,435	$ 25,419	$ 2,572	$ 9,260,262
Accumulated Depreciation									
As at January 1, 2017	$ 24,533	$ 11,050	$ -	$ 1,733	$ -	$ 5,062	$ 26,721	$ -	$ 69,099
Depreciation	85,876	78,754	-	3,475	-	27,499	54,651	28	250,283
Disposals	(104,150)	(24,864)	-	(3,685)	-		(80,827)	-	(213,526)
As at December 31, 2017	$ 6,259	$ 64,940	$ -	$ 1,523	$ -	$ 32,561	$ 545	$ 28	$ 105,856
Depreciation	93,986	320,359	-	857	-	33,943	3,813	129	453,087
Disposals	-	-	-	-	-				-
As at September 30, 2018	$ 100,245	$ 385,299	$ -	$ 2,380	$ -	$ 66,504	$ 4,358	$ 157	$ 558,943
Net Book Value									
As at December 31, 2017	$ 320,041	$ 343,564	$ 6,282,124	$ 6,474	$ -	$ 115,020	$ 24,874	$ 2,544	$ 7,094,641
As at September 30, 2018	$ 2,567,519	$ 2,808,234	$ 3,210,542	$ 5,617	$ -	$ 85,931	$ 21,061	$ 2,415	$ 8,701,319

Assets under construction in progress ("CIP") is related to a cultivation facility not yet completed or otherwise not ready for use. Depreciation begins for property and equipment in CIP when the items are placed in service. For the nine months ended September 30, 2018, $3,795,822 of CIP was placed in serviced resulting in net additions in property and equipment of $2,059,765.

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5. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the three and nine months ended September 30, 2018, totaled $215,615 and $453,087, respectively, and $21,766 and $215,678 for the three and nine months ended September 30, 2017, respectively.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at September 30, 2018, and December 31, 2017:

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Accounts payable	$ 3,940,351	$ 3,206,284
Accrued liabilities	655,967	698,550
Income taxes payable	10,400	6,400
Accrued payroll	549,232	529,207
Accrued dividends	601,857	-
	$ 5,757,807	**$ 4,440,441**

7. NOTES PAYABLE AND ACCRUED INTEREST

Notes payable consists of the following at September 30, 2018, and December 31, 2017:

		September 30, 2018	December 31, 2017
		(Unaudited)	(Audited)
Related party note	(a)	$ -	$ 1,700,000
Equipment loan	(b)	20,241	24,344
Term loan	(c)	8,883,677	3,900,000
Convertible notes and accrued interest	(d)	-	11,007,388
Total notes payable		8,903,918	16,631,732
Less unamortized debt issuance costs		(252,000)	(37,500)
Net amount		8,651,918	16,594,232
Less notes payable, current portion		(1,404,996)	(12,712,896)
Notes payable, net of current portion		**$ 7,246,922**	**$ 3,881,336**

7. NOTES PAYABLE AND ACCRUED INTEREST (Continued)

(a) Related Party Note

In December 2015, the Company entered into an unsecured loan agreement with an officer of the Company (the "Yost Note"). The Yost Note bears interest at 20% annually and is due on the later of December 31, 2016, or the date on which the Senior Notes (Note 7 (e)) are repaid or converted in full into equity of the Company. As at December 31, 2017, the principal balance of the Yost Note was $500,000 and accrued interest totaled $200,000. All principal and accrued interest was paid in full in May 2018.

On December 19, 2017, the Company issued a promissory note with a face value of $1,000,000 bearing interest at an annual rate of 12% to Murray Field & Company, LLC, maturing on March 1, 2018, in exchange for $1,000,000. The note was convertible upon the Company raising $4,000,000 in equity financing. Subsequent to issuance, the maturity date was extended to May 1, 2018. On April 30, 2018, the Company raised $5,500,000 from the sale of Series A-1 Preferred Stock and the promissory note converted automatically into 240,964 shares of Series A-1 Preferred stock. Accrued interest of $78,834 was paid in cash at conversion.

(b) Equipment Loan

Savature issued a promissory note to Toyota Commercial Finance to finance the purchase of agricultural equipment, which promissory note is secured by the same equipment. The note was originated on September 8, 2016, with a 64-month term maturing January 8, 2022. The note bears interest at a rate of 4.9% per year with all unpaid principal and interest due on maturity. The note has no prepayment penalties and prohibits any repaid principal from being redrawn by Savature. At September 30, 2018 and December 31, 2017, the note had an outstanding balance of $20,241. The current portion of the note was $5,728 at September 30, 2018, and $5,508 at December 31, 2017.

(c) Term Loan

On July 18, 2017, Savature entered into a loan agreement (the "CFP Loan") with CFP RE Fund I, LLC ("CFP"). The Company may borrow up to $9,300,000 in increments of no less than $100,000. The CFP Loan carries a 15% annual interest rate and a five-year term. Interest accrued on the CFP Loan is paid monthly. The CFP Loan is collateralized by all assets owned by Savature.

7. NOTES PAYABLE AND ACCRUED INTEREST (Continued)

(c) Term Loan (Continued)

On September 30, 2018, principal owed on the CFP Loan totaled $8,883,677. The CFP Loan was converted to a term loan maturing on June 1, 2023 upon final draw down of the available loan amount on May 3, 2018 for a total $9,300,000 at interest rate of 15%. As of September 30, 2018, and December 31, 2017, the unamortized loan fee was $252,000 and $37,500, respectively, and the principal balance net of unamortized loan fees was $8,631,677 and $3,862,500, respectively. The current portion of the CFP Loan was $1,399,268 and $0 at September 30, 2018, and December 31, 2017, respectively.

On September 7, 2018, the Company received a notice of default from CFP. Management has responded to the notice and believes all items identified in the notice have been cured. In response, the Company has asserted its default remedies against CFP to reduce loan principal consistent with terms outlined in the loan documents. See Note 19 (g).

The CFP Loan requires Savature to meet certain financial covenants. The management of Savature believes that it was in compliance with all associated financial covenants as of September 30, 2018, and the date the interim condensed consolidated financial statements were available to be issued.

(d) Convertible Notes

During the years ended December 31, 2016 and 2015, the Company issued convertible promissory notes bearing 8% interest with a principal face value in the aggregate of $6,000,000 in exchange for $6,000,000 in cash ("Senior Notes"). The Senior Notes' principal and accrued interest were convertible at the election of the noteholder or upon a qualified equity financing of $5,000,000 with a valuation cap of $25,000,000.

During the years ended December 31, 2017 and 2016, the Company issued convertible promissory notes bearing 12% interest with a principal face value in the aggregate of $3,660,000 in exchange for $3,660,000 in cash (the "Junior Notes"). The Junior Notes' principal and accrued interest were convertible at the election of the noteholder or upon a qualified equity financing of $5,000,000 with a valuation cap of $50,000,000.

A qualified equity financing occurred on April 30, 2018, and principal and accrued interest of the Senior Notes and Junior Notes totaling $11,304,397 was converted on that date into 4,685,160 shares of Series A-1 Preferred Stock. No principal or interest payments were made prior to conversion.

As of December 31, 2017, accrued interest for the Senior Notes and Junior Notes totaled $1,347,388. The current portion of the Senior Notes and Junior Notes was $11,007,388 at December 31, 2017.

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7. NOTES PAYABLE AND ACCRUED INTEREST (Continued)

Stated maturities of debt obligations, net of debt issuance costs of $252,000, are as follows:

Year Ending December 31	Amount
2018 (three months)	$ 332,454
2019	1,458,799
2020	1,692,948
2021	1,971,636
2022	2,286,409
Thereafter	1,161,672
	$ 8,903,918

8. SHARE CAPITAL

On April 29, 2018, the common shareholders of FLRish agreed to amend the articles of incorporation of FLRish in order to create and designate various classes of FLRish shares. The Amended and Restated Articles of FLRish (the "Amended Articles") approved by the shareholders of FLRish included the designation of five classes of stock: Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A Common Stock, Series B Common Stock, and Series C Common Stock. The Amended Articles authorized 91,000,000 shares of Common Stock and 20,000,000 shares of Preferred Stock.

The share types convert, upon certain occurrences, into other types of shares, generally of a non-voting nature or upon a qualified acquisition or initial public offering, into Series B Common Stock or Series C Common Stock in accordance with a ratio determined by the board of directors.

As at September 30, 2018, the Company had the following shares issued and outstanding:

(a) Series A-1 and Series A-2 Preferred Stock

At September 30, 2018, 6,250,000 shares of Series A-1 Preferred Stock, at no par value, were issued and outstanding and 0 shares of Series A-1 Preferred Stock were reserved for issuance. 1,422 shares of Series A-2 Preferred Stock were issued and outstanding and 0 shares of Series A-2 Preferred Stock reserved for issuance. No shares of Series A-1 and Series A-2 Preferred Stock were issued or outstanding at December 31, 2017.

8. SHARE CAPITAL (Continued)

(a) Series A-1 and Series A-2 Preferred Stock (Continued)

The Series A-1 Preferred Stock is a class of voting preferred stock that was issued in the FLRish Series A offering and upon conversion of the senior and junior notes and the Murray Field & Company, LLC note. It has value weighted anti-dilution rights, accrues dividends at 8% per annum from the date of issuance, whether declared or not, possesses one vote per share, is senior to all other classes of stock in liquidation preference, and in the case of an unqualified merger or sale or on April 30, 2023, it has redemption rights equal to $5.20 per share plus accrued dividends. As of September 30, 2018, accrued dividends were $601,857. The redemption right terminates on the occurrence of a qualified acquisition or public offering. If a qualified transaction does not occur prior to October 30, 2019, the Series A-1 Preferred Stock is convertible into additional shares of Series B Common Stock in an amount equal to the percentage obtained by dividing the accrued dividend on such shares by the original Series A issue price.

The Series A Convertible Preferred Stock is convertible at the option of the holders at any time into shares of Series B Common Stock at a conversion price of $4.15 per share. The conversion rate is subject to customary anti-dilution and other adjustments.

The Series A Convertible Preferred Stock is mandatorily convertible upon the occurrence of specified triggering events, including a qualified acquisition or qualified IPO.

The Company determined that the nature of the Series A Convertible Preferred Stock was more akin to a liability instrument and as such, the conversion options were required to be bifurcated from the host under IFRS 9. See Note 9.

Series A-2 Preferred Stock is a class of preferred stock equivalent to the Series A-1 Preferred Stock but without voting rights.

The board of directors of FLRish has the right to set the rights, privileges, preferences and obligations of any wholly unissued series of preferred stock.

(b) Series A Common Stock

At September 30, 2018, 2,702,997 shares of Series A Common Stock, at no par value, were outstanding and 8,297,003 of Series A Common Stock shares were reserved for issuance. At December 31, 2017, 2,449,872 shares of Series A Common Stock outstanding and 7,550,128 of Series A Common Stock shares reserved for issuance.

Series A Common Stock is a class of voting common stock that possesses one vote per share and also possesses certain anti-dilution characteristics that are intended to preserve value among the Series A Common stockholders. The total number of shares of Series A Common Stock authorized for issuance was 11,000,000. The anti-dilution characteristics provide that the pre-Series A Common Stock subject to options or reserved for issuance that is not utilized or is otherwise cancelled would be reallocated among the Series A Common stockholders pro rata. Additionally,

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8. SHARE CAPITAL (Continued)

upon an acquisition any paid in capital would be allocated among the Series A Common stockholders, or a substitution of equivalent rights in a new plan would occur.

(c) Series B and Series C Common Stock

At September 30, 2018, 12,361,445 shares of Series B Common Stock, at no par value, were outstanding and no shares of Series B Common Stock were reserved for issuance. There were no shares of Series C Common Stock outstanding and zero shares of Series C Common Stock are reserved for issuance. No shares of Series B and Series C Common Stock were issued or outstanding at December 31, 2017.

Series B Common Stock is a class of common equity that possesses one voting right per share. Series C Common Stock is a class of common equity that possesses no voting rights.

9. DERIVATIVE LIABILITY

The IASB has issued authoritative guidance whereby instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The conversion price of the Series A Preferred Stock described in Note 8(a) was not a fixed amount because it was either subject to an adjustment based on the occurrence of future offerings. Since the number of shares is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to settle the conversion option. In accordance with the IFRS authoritative guidance, the conversion feature has been characterized as a derivative liability to be re-measured at the end of every reporting period with the change in fair value reported in the statement of operations.

As of April 30, 2018, the date of issuance of the Series A Preferred Stock, the derivative liability was valued using the Monte Carlo model with the following assumptions:

Exercise Price	$	2.23 - 4.15
Stock Price	$	3.60 - 4.03
Risk-free interest rate		2.24% - 2.81 %
Expected volatility		81.64% - 90.24 %
Expected life (in years)		0.33 - 2.00
Expected dividend yield		8 %
Fair Value:	$	11,726,940

The risk-free interest rate was based on data from Duff & Phelps 2018 Valuation Handbook - Guide to Cost of Capital. The expected life of the conversion feature of the shares was based on the anticipated date to public offering. The expected dividend yield was based on the rate as stated in the terms of the series A Preferred Stock.

During the nine months ended September 30, 2018, there was no material change in the fair value of the derivative liability.

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10. SHARED BASED COMPENSATION

(a) Stock Options

The Company maintains an equity incentive plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for shares of Common Stock of FLRish.

Stock option activity for the year ended December 31, 2017, and for the nine months ended September 30, 2018, are summarized as follows:

	Number of Options	Weighted Avg. Exercise Price per share
	#	$
Balance December 31, 2016	**8,240,000**	**0.052**
Incentive stock options granted	375,000	0.050
Non-qualified options granted	924,750	0.293
Exercised	(1,949,872)	0.051
Expired or cancelled	(2,203,125)	0.054
Balance December 31, 2017	**5,386,753**	**0.092**
Non-qualified options granted	1,591,500	4.150
Exercised	(253,125)	0.050
Expired or cancelled	(4,583)	4.150
Expired or cancelled	(140,625)	0.050
Balance September 30, 2018	**6,579,920**	1.073

During the year ended December 31, 2017, and the three and nine months ended September 30, 2018 and 2017, the Company recorded aggregate share-based compensation of $94,239, $1,016,699, $3,197,464 and $22,762 and $61,043, respectively, for all stock options granted and vested during the period. During the year ended December 31, 2017, and the nine months ended September 30, 2018, the Company received cash consideration of $100,899 and $13,438, respectively, for exercise of granted and vested stock options.

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10. SHARED BASED COMPENSATION (CONTINUED)

The Company used the Black-Scholes valuation model to estimate the grant date fair value of the options granted during the nine months ended September 30, 2018, and year ended December 31, 2017, using the following assumptions:

	2018	2017
Valuation date share price	$4.15	$0.05 - $4.15
Exercise price	$4.15	$.05 - $4.15
Expected life	3.25 - 6.00 years	5.75 - 6.25 years
Cumulative Volatility	100%	100%
Risk free interest rate	2.49% - 2.97%	2.09% - 2.17%

(b) Restricted Stock Awards

On April 25, 2018, the Company granted 769,000 restricted stock awards ("RSA") pursuant to the Plan, to certain officers of the Company (the "Participants"). Each RSA provides the Participants with one share of the Company's Common Stock. Under the terms of the grants the RSA are issued to Participants and the shares issued vest over twenty-four months from the date of grant.

The fair value on the grant date of the 769,000 RSAs is $3,191,350. During the three and nine months ended September 30, 2018, the Company recorded share-based compensation of $398,332 and $663,887, respectively, for RSAs granted and vested during the period.

11. RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2018 and 2017, the Company provided contract management services to and leased cultivation facilities and buildings to PMACC (Note 12). For the three and nine months ended September 30, 2018 and 2017, the Company derived the entirety of its revenue from PMACC.

At September 30, 2018 and December 31, 2017, the Company was owed $17,275,402 and $9,641,424 net of $1,735,664 and $0 allowance for credit loss, respectively, by PMACC.

In December 2017, the Company sold its interests in a cannabis license located in San Leandro, California to PMACC. The Company recognized a gain on the sale in the amount of $2,500,000 as a result of the transaction, the Company entered into a note receivable with PMACC with a principal amount of $3,000,000 at a 2% interest rate. All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company recorded a discount in the amount of $2,165,814 on the note receivable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At December 31, 2017, the note had a net discount of $2,161,302. As a result, the net gain on the sale of investment was $334,186 at December 31, 2017. At September 30, 2018, the note had a net discount of $1,958,253.

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company has one other note receivable due from PMACC that is due on demand and does not bear interest. At September 30, 2018 and December 31, 2017, the balance of the note was $177,198 and $55,000.

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

Compensation of key management personnel for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Management compensation	$ 374,758	$ 430,506	$ 1,121,922	$ 1,268,076
Directors' fees	5,000	-	5,000	-
Share-based payments	645,250	12,510	1,302,686	39,208
	$ 1,025,008	**$ 443,016**	**$ 2,429,608**	**$ 1,307,284**

Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's Plan (Note 10).

12. RENTAL REVENUE – RELATED PARTY

The Company leases cultivation facilities, buildings, and improvements to PMACC (Note 11). The lease agreement commenced on September 15, 2016, with a six-year term subject to an automatic five-year extension. PMACC may opt out of the automatic extension by providing notice at least three months, but no earlier than six months, prior to the expiration of the initial term. The lease calls for monthly rent ranging from $185,895 to $801,550 as additional rentable square foot is delivered. Rental revenue is recognized monthly based on the rentable square foot delivered.

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12. RENTAL REVENUE – RELATED PARTY

Total rental revenue for the three and nine months ended September 30, 2018 and 2017, was $1,099,319 and $3,297,956, respectively, and $523,081 and $1,563,741, respectively. Future minimum rental payments due under the leases are as follows:

Year Ending December 31	Amount (Unaudited)
2018 (three months)	$ 1,099,319
2019	8,764,110
2020	9,288,449
2021	9,501,142
2022	4,007,745
	$ 32,660,765

13. SALE-LEASEBACK

On July 14, 2017, the Company entered into a sale-leaseback transaction with CFP for a cultivation property located in Salinas, California (the "Farm"). The total sale price for the Farm was $9,080,000. In addition to the property, the sale included all furniture, fixtures, and equipment attached to the property.

The gain from the sale is recognized over the life of the lease. As of September 30, 2018, the deferred gain balance was $302,002.

14. IMPAIRMENT LOSS

The Company began investing in the development of a property in Oakland California (the "Cannery") in the last quarter of 2015. In the second quarter of 2017 the Company decided to exit the Cannery project due to increasing capital costs and limited paths to recapture the investment in capital improvements. On May 2, 2017, the Company and 5733 San Leandro, LP, the landlord, entered into a lease termination agreement that waived any further rights against the Company in exchange for a mutual waiver and the forfeiting of any deposits. For the three and nine months ended September 30, 2017, the Company wrote off its investments in the Cannery resulting in an impairment loss in the amount of $0 and $3,636,574, respectively.

15. CONCENTRATIONS AND RISKS

(a) Market

The Company operations are currently limited to providing services to cannabis operations in Northern California. Any changes in the applicable rules governing the cultivation, manufacturing, distributing, or sale of cannabis, in California or the local jurisdictions in which the Company provides services could negatively impact the Company's operations.

(b) Customers

For the three and nine months ended September 30, 2018 and 2017, the Company derived all contract and rental revenue from one customer, PMACC, a related-party (Note 11). Any changes in the applicable rules governing the cultivation, manufacturing, distributing, or sale of cannabis, in California or the local jurisdictions in which the customer provides services could negatively impact the Company's operations.

(c) California Operating Licenses

Effective January 1, 2018, the State of California allowed for adult use cannabis sales. Beginning on January 1, 2018, the State began issuing temporary licenses that expired 120 days after issuance for retail distribution and cultivation permits. The cannabis operations served by the Company submitted their applications for the annual licenses in April 2018 and are operating under active temporary licenses, which have been extended through to April 2019.

Additional regulations relating to testing cannabis products came into effect on July 1, 2018, required the clients to sell products that would be non-compliant prior to that date. Due to the additional testing requirements effective July 1, 2018, the California market and the Company's clients experienced a shortage in supply of compliant products during the first two weeks of July 2018. The supply chain for the Company's clients have stabilized subsequently.

Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in California, marijuana is a Schedule-I controlled substance under the Controlled Substances Act and its use remains a violation of federal law. Since federal law criminalizing the use of marijuana preempts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in the Company's inability to proceed with its business plan, especially in respect to managing the Company's clients' marijuana cultivation, production and dispensaries. In addition, the Company's assets, including real property, cash, equipment and other good, could be subject to asset forfeiture because marijuana is still federally illegal. While management of the Company believes that the Company is in compliance with applicable local and state regulation as at September 30, 2018, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

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16. COMMITMENTS AND CONTINGENCIES

(a) Legal Claims

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability amount can be reasonably estimated.

In February 2018, a former employee of the Company filed suit against the Company and various officers and directors. This matter was settled on July 11, 2018, for a payment of $154,000 charged to General and Administrative Expense.

In May 2018, a former CEO of the Company issued a demand for arbitration to the Company. The Company has asserted its own claims against the former employee. As a result of the claims against the former employee and his continuing inability to provide documentation, the Company believes it will be successful in defending the former employee's claims in arbitration.

In August 2018, an employee asserted claims against the Company. In October 2018, the parties have agreed to settle the matter for $300,000 to be paid on a payment schedule ending December 2019.

(b) Leases

The Company leases its cultivation facilities under an escalating lease commencing in July 2017 and expiring in July 2026. For the three and nine months ended September 30, 2018 and 2017, rent expense totaled $227,100 and $681,300 and $165,766 and $165,766, respectively. The Company recorded a deferred rent liability in the amount of $106,400 as of September 30, 2018 and $38,000 at December 31, 2017, to adjust the lease obligation to straight-line amortization. The deferred rent is classified as a long-term liability as the deferral will be reversed in periods beyond 2018.

Future minimum rental payments due from the Company under the lease agreement are as follows:

Year Ending December 31	Amount
	(Unaudited)
2018 (three months)	$ 204,300
2019	817,200
2020	855,035
2021	908,004
2022	908,004
Future periods	3,529,657
	$ 7,222,200

16. COMMITMENTS AND CONTINGENCIES

(c) Employment Agreements

Certain of the Company's employees have employment agreements under which the Company is obligated to make severance payments, accelerate vesting of stock options and provide other benefits in the event of the employee's termination, change in role or a change in control as defined in such agreements.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities, derivative liability and note payables and accrued interest.

(b) Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

(c) Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges, which management may undertake.

(d) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(e) Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

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17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term. The Company considers interest rate risk to be immaterial.

(g) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

As at September 30, 2018, the carrying amount of cash of $368,484, accounts receivable of $17,275,402 and notes receivable of $1,218,945 represent the maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the interim condensed consolidated statements of financial position are net of allowance for credit loss, estimated by the management of the Company based forward looking information.

The Company has significant exposure to a single customer, PMACC (Note 11). In order to determine the allowance for credit losses, the Company conducts an analysis of the customer and its customary pay practices and the terms of the contract under which the obligation arose. Based on the review the Company recorded a provision for credit losses of $1,241,927 and $0 at September 30, 2018 and December 31, 2017.

As of September 30, 2018 and December 31,2017, the Company's aging of receivables was approximately as follows:

	September 30, 2018	December 31, 2017
0 - 60 days	$ 3,849,234	$ 7,546,475
61+ days	13,426,168	2,094,948
	$ 17,275,402	**$ 9,641,424**

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17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(h) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2018, the Company had $368,485 of cash and working capital of $11,304,390, respectively. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

In addition to the commitments outlined in Note 16, the Company has the following contractual obligations:

	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 5,155,950	$ 5,155,950	$ -	$ -	$ -
Notes payable and accrued interest	8,903,918	1,404,996	5,732,898	1,766,024	-
	$14,059,868	**$ 6,560,946**	**$ 5,732,898**	**$ 1,766,024**	**$ -**

18. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company considers its capital to be total equity. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the board of directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2018. The Company is not subject to any external capital requirements.

19. SUBSEQUENT EVENTS

(a) Acquisition

On April 23, 2019, RMCO entered into a definitive stock purchase agreement with Airfield Supply Company and its owner pursuant to which, among other things, the Company would acquire 100% of the outstanding capital stock of Airfield for purchase price that is based on the following formula: an average of (x) 1.3x Airfield's revenue and (y) 7x Airfield's EBITDA, in each case of the period commencing April 1, 2018 through March 1, 2019, estimated at $41,800,000. The closing of the transaction is conditional, among other things, on approval of the transaction by the Company's Board of Directors and stockholders, as well as the raising of $60 million on terms determined appropriate by the Company.

(b) Notes Receivable

On October 29, 2018, the Company loaned $2,700,000 to PMACC by way of a promissory note bearing interest of 12%. All principal and accrued interest is payable in a balloon payment due October 29, 2019.

On November 16, 2018, the Company issued a promissory note to Lineage Grow Company with a principal amount of CAD $2,000,000 bearing interest at a rate of 12%. All principal and accrued interest is payable in a balloon payment due November 19, 2019.

(c) Series B Unit Offering

In October and November 2018, the Company completed a private placement (the “Unit Offering”) of 34,778 units of the Company (the “Units”) at a price of CAD $1,000 per Unit (the “Offering Price”) for aggregate gross proceeds of CAD $34,778,000. The Company completed the initial closing of the Unit Offering on October 30, 2018, with the issuance and sale of 6,212 Units. The Company completed the second closing of the Unit Offering on November 16, 2018 with the issuance and sale of 28,566 Units.

Each Unit is comprised of a $1,000 principal amount unsecured convertible debenture (“Debenture”) and 87 share purchase warrants (“Warrants”).

The Debenture is governed by a debenture indenture dated as of October 30, 2018, between FLRish and Odyssey Trust Company as debenture trustee (the “Debenture Indenture”). The Debenture will mature on October 30, 2021 (the “Maturity Date”), and bears interest at a rate of 12.0% per annum, payable, semi-annually in arrears. Interest will be payable in cash or by issuing shares of Series B Common Stock of FLRish (“Underlying Shares”) at a price of CAD $6.90 per share. The principal amount of each Debenture will be convertible into Underlying Shares at the option of the holder at any time prior to the Maturity Date and automatically upon completion of a Going Public Transaction (Note 19 (d)) at a conversion price equal to the lower of: (a) CAD $6.90; or (b) a 10% discount to the Resulting Issuer’s (Note 19 (d)) share price at listing for a financing equal to CAD $5,000,000 or greater (“Conversion Price”), subject to adjustment. FLRish has the right to prepay the principal amount of the Debentures at any time. Each Warrant is exercisable into one

19. SUBSEQUENT EVENTS (Continued)

Underlying Share at a price of CAD $8.60 per share until October 30, 2020, subject to adjustment and/or acceleration in certain circumstances. The Warrants are governed by a warrant indenture dated as of as of October 30, 2018, between FLRish and Odyssey Trust Company as warrant agent.

On December 31, 2018, an aggregate of 80,589 Underlying Shares were issued and an aggregate of CAD $807.23 in cash was paid to holders of Debentures in satisfaction of the first interest payment.

Foundation Markets Inc. ("FMI") received a cash commission equal to 7% of the aggregate proceeds of sales of the Units to non-U.S. purchasers and 168,303 broker warrants ("Broker Warrants") in consideration for acting as agent in connection with the Unit Offering. Each Broker Warrant is exercisable into one Underlying Share at an exercise price of CAD $6.90 per share until the earlier of 60 months from October 30, 2018, and 24 months from the completion of a Going Public Transaction (Note 19 (d)), subject to adjustment and/or acceleration in certain circumstances.

(d) Reverse Take Over

On February 8, 2019, FLRish, Lineage Grow Company Ltd. ("Lineage") and Lineage Merger Sub Inc., a wholly owned subsidiary of Lineage ("Merger Sub"), entered into a merger agreement (the "Merger Agreement") pursuant to which, among other things, FLRish will complete the reverse takeover, of Lineage (the "Transaction").

Pursuant to the Merger Agreement, Lineage will complete a consolidation of its common shares at a ratio to be determined, create subordinate voting shares and multiple voting shares, and reclassify its common shares on a post-consolidation basis as subordinate voting shares. FLRish and Merger Sub will then merge and, subject to the terms and conditions of the Merger Agreement, Lineage will acquire all of the issued and outstanding shares of FLRish in exchange for post-consolidation shares of Lineage. All convertible securities of FLRish will be exchanged for equivalent securities of Lineage which will, automatically and without any required action on the part of any holder or beneficiary thereof, entitle the holders to acquire securities of Lineage in lieu of securities of FLRish based on the same terms and subject to the same conditions as the existing convertible securities.

On completion of the Transaction, Lineage is expected to be renamed "Harborside, Inc." (the "Resulting Issuer") and the subordinate voting shares of the Resulting Issuer are expected to be listed for trading on the Canadian Securities Exchange. The Transaction remains subject to shareholder and regulatory approval.

The Resulting Issuer will be owned approximately 94% by FLRish security holders and approximately 6% by Lineage shareholders. As a result, the Transaction will be accounted for as a business combination, with FLRish being identified as the acquirer.

19. SUBSEQUENT EVENTS (Continued)

(e) Option Issuances

Subsequent to September 30, 2018, the Company issued 30,000 options which vest quarterly over three years to various employees.

(f) FMI Consulting Agreement

On December 3, 2018, FMICA and FLRish entered into an advisory agreement whereby FMICA would provide additional consulting services to FLRish in addition to those contemplated under the consulting agreement dated February 28, 2018. In consideration of the additional services provided by FMICA pursuant to the agreement, FMICA is entitled to cash fees equal to an aggregate of CAD $1,000,000 and 143,241 Broker Warrants. Each Broker Warrant is exercisable into one share of Series B Common Stock at an exercise price of CAD $6.90 per share until the earlier of 60 months from December 3, 2018 and 24 months from the completion of a Going Public Transaction (Note 19 (d)), subject to adjustment and/or acceleration in certain circumstances.

(g) Term Loan

On December 17, 2018, the Company entered into a settlement agreement with CFP, pursuant to which the parties agreed to settle all claims with respect to the loan. The terms of the settlement agreement provide that the Company shall pay to CFP all outstanding principal balance at December 17, 2018, as follows: $2,000,000 payable in monthly installments ending in September 2019 and issuance of 8,624 Units offered in the Company's Series B Unit Offering (Note 19 (c)).

(h) Multi Party Merger Agreement

On January 7, 2019, the Company entered into merger option agreements that superseded prior MPMA agreements providing the right to purchase, and merge into subsidiaries of the Company, all of the interests of PMACC and SJW with Shareholder 1 and Shareholder 2. Pursuant to the terms of the merger option agreements, the Company has the right to exercise the merger options at any time. In exchange for the merger option, the Company issued 1,581,467 Series B Common Shares to Shareholder 1 and 2,469,781 Series B Common Shares to Shareholder 2.

(i) Shareholder 2 Severance

On January 8, 2019, Shareholder 2 received a severance package of $600,000 paid over twenty four months.

SCHEDULE “C”
FINANCIAL STATEMENTS OF HARBORSIDE DISPENSARIES

Patients Mutual Assistance Collective Corporation

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in United States Dollars)

Patients Mutual Assistance Collective Corporation

Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Patients Mutual Assistance Collective Corporation

We have audited the accompanying consolidated financial statements of Patients Mutual Assistance Collective Corporation, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patients Mutual Assistance Collective Corporation as of December 31, 2017 and 2016, and the financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

James S. Lovejoy, CPA, CGMA

James S. Lovejoy, CPA, PC
Kittredge, Colorado
April 29, 2019

Patients Mutual Assistance Collective Corporation
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash	$ 925,944	$ 1,418,511
Accounts receivable (Note 5)	235,831	112,170
Accounts receivable - related parties (Note 18)	0	641,074
Inventory (Note 8)	8,269,711	2,913,761
Biological assets (Note 9)	1,988,388	537,339
Prepaid expenses	542,945	317,811
Restricted cash deposts (Note 6)	0	193,265
Total current assets	11,962,819	6,133,931
Non-current assets		
Property, plant and equipment (Note 7)	1,242,286	1,100,282
Deposits (Note 10)	13,123	13,123
Investments (Note 4)	916,420	21,683
Total non-current assets	2,171,829	1,135,088
Total assets	$ 14,134,648	$ 7,269,019

See accompanying notes to the consolidated financial statements.

Patients Mutual Assistance Collective Corporation
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

Liabilities and Equity

	2017	2016
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	$ 10,092,503	$ 4,305,145
Due to related parties (Note 18)	9,641,425	1,776,197
Income taxes payable (Note 12)	381,836	643,941
Notes payable - short term (Note 13)	5,689	4,539
Total current liabilities	20,121,453	6,729,822
Long-term liabilities		
Notes payable (Note 13)	1,893,772	1,095,503
Total long-term liabilities	1,893,772	1,095,503
Total liabilities	22,015,225	7,825,325
Equity (Note 14)		
Share capital	10,000	10,000
Contributed surplus	47,500	47,500
Deficit attributable to shareholders of the Company	(7,938,077)	(613,806)
	(7,880,577)	(556,306)
Non-controlling interest	0	0
Total equity	(7,880,577)	(556,306)
Total liabilities and equity	$ 14,134,648	$ 7,269,019

Approved and authorized on behalf of the Board of Directors on April 29, 2019:

Andrew DeAngelo Treasurer

See accompanying notes to the consolidated financial statements.

Patients Mutual Assistance Collective Corporation
Consolidated Statements of Changes in Shareholders' Equity
Year Ended December 31, 2017

	Share capital	Contributed surplus	Accumulated income/(losses)	Non-Controlling Interest	Total
Balance, December 31, 2015	$ 10,000	$ 47,500	$ 409,363	$ 0	$ 466,863
Net (loss)	0	0	(1,023,169)	0	(1,023,169)
Balance, December 31, 2016	$ 10,000	$ 47,500	$ (613,806)	$ 0	$ (556,306)
Balance, January 1, 2017	$ 10,000	$ 47,500	$ (613,806)	$ 0	$ (556,306)
Net (loss)	0	0	(7,324,271)	0	(7,324,271)
Balance, December 31, 2017	$ 10,000	$ 47,500	$ (7,938,077)	$ 0	$ (7,880,577)

See accompanying notes to the consolidated financial statements.

Patients Mutual Assistance Collective Corporation
Consolidated Statements of Operations

	For the 12 Months Ended December 31, 2017	For the 12 Months Ended December 31, 2016
Revenues and gains (Note 3g)		
Sales revenue, net of discounts	$ 45,316,159	$ 43,391,533
Costs of goods sold (Note 16)	40,115,063	32,602,667
Gross profit before unrealized gain from changes in biological assets	5,201,096	10,788,866
Unrealized gain from changes in fair value of biological assets (Note 9)	1,451,049	537,339
Gross profit	6,652,145	11,326,205
Operating expenses		
General and administrative (Note 17)	13,562,772	10,949,049
Depreciation expense (Note 7)	210,230	174,361
Professional fees	320,737	871,461
Total operating expenses	14,093,739	11,994,871
Loss from operations	(7,441,594)	(668,666)
Other income and expenses		
Income tax expense (Note 15)	(1,600)	(346,403)
Interest expense	(7,655)	(9,065)
Interest income	557	965
Miscellaneous	125,254	0
Royalty income	767	0
Total other income/(expense)	117,323	(354,503)
Net income (loss)	$ (7,324,271)	$ (1,023,169)

See accompanying notes to the consolidated financial statements.

Patients Mutual Assistance Collective Corporation
Consolidated Statements of Cash Flows

	For the 12 Months Ended December 31, 2017	For the 12 Months Ended December 31, 2016
Operating activities		
Net loss	$ (7,324,271)	$ (1,023,169)
Item not affecting cash:		
Amortization and depreciation	210,230	174,361
Amortization of Discount for Below Market Interest Notes Payable	4,512	0
Income tax expense	1,600	346,403
Interest income	(557)	(965)
Interest expense	3,143	1,961
Unrealized gain from changes in fair value of biological assets	(1,451,049)	(537,339)
	(8,556,392)	(1,038,748)
Changes in non-cash working capital:		
Accounts receivable	(123,661)	(112,170)
Accounts receivable - related parties	641,074	(641,074)
Inventory	(5,355,950)	(1,205,681)
Prepaid expenses	(225,135)	(107,885)
Restricted cash deposits	193,265	353,703
Accounts payable and accrued liabilities	5,788,509	1,125,023
Due to related parties	7,865,228	1,776,197
Income taxes payable	(263,705)	(418,153)
	8,519,625	769,960
Net cash provided by (used in) Operating activities	(36,767)	(268,788)
Investing activities		
Capital expenditures	(352,234)	(107,978)
Investments held to maturity	(894,737)	0
Advanced to related parties	0	125,700
Net cash provided by (used in) Investing activities	(1,246,971)	17,722
Financing activities		
Notes payable borrowings - FLRish, Inc. (Note 13)	803,564	1,090,208
Notes payable repayments	(5,295)	(15,731)
Interest received	557	965
Interest paid	(7,655)	(1,961)
Net cash provided by (used in) Financing activities	791,171	1,073,481
Net increase (decrease) in Cash and cash equivalents	(492,567)	822,415
Beginning cash and cash equivalents	1,418,511	596,096
Ending cash and cash equivalents	$ 925,944	$ 1,418,511

See accompanying notes to the consolidated financial statements.

Patients Mutual Assistance Collective Corporation
Notes to Financial Statements

1. Nature of Operations

Patients Mutual Assistance Collective Corporation ("Company"), a California corporation, was incorporated on August 28, 2005 under the California Corporations Code in the United State of America. The Company commenced operations on September 7, 2005. The Company's primary activity is the cultivation and dispensing of cannabis to eligible individuals in Oakland and San Jose, California, pursuant to state and local law.

The primary objective of the Company is to provide extraordinary service by offering cannabis through a safe and affordable alternative to illegal markets. The Company serves individuals suffering from a wide variety of medical issues as well as all adults over the age of twenty-one and advocates for the needs of its patients, customers, and the community. The Company strives to promote the benefits of cannabis through social and political awareness. The Company is supported primarily through the sale of cannabis and related products.

The address of the Company's principal place of business is 1840 Embarcadero Oakland, CA 94606. The Company's registered and records office address is located at 2100 Embarcadero, Suite 205, Oakland, California 94606.

2. Basis of Preparation

a. Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the board of directors on April 29, 2019.

b. Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

c. Functional Currency

These consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar.

2. Basis of Preparation (Continued)

d. Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries	Jurisdiction of Company	Effective Ownership
San Jose Wellness Solutions Corp.	California	100%

All significant intercompany balances and transactions have been eliminated in consolidation. The Company and San Jose Wellness Solutions Corp. ("SJW"), a California nonprofit mutual benefit corporation organized on November 17, 2009 under the California Nonprofit Mutual Benefit Corporation Law, are under common control and have been since inception. As such, no goodwill has been recognized in these financial statements for the consolidation of SJW. The principal place of business of SJW is 1365 North 10th Street, San Jose, California. All subsidiaries use December 31st as the end date of their reporting period.

3. Significant Accounting Policies

a. Restricted Cash Deposits

Restricted cash deposits include balances held at banks subject to certain restrictions on withdrawal.

b. Trade and Other Receivables

Accounts and notes receivable are recorded at net realizable value. The Company provides for probable losses on accounts and notes receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Company has used reasonable collection efforts are written off. The Company has recorded no allowance as receivables are historically 100% collectible. At December 31, 2017 and 2016, $235,831 and $112,170 in receivables were due from non-related parties, respectively. At December 31, 2017 and 2016, $0 and $641,074 were due from related parties (Note 18), respectively.

c. Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

3. Significant Accounting Policies (Continued)

c. Inventory (Continued)

Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost. All direct and indirect costs related to inventory are capitalized as they are incurred, and expensed when the related item is sold.

d. Biological Assets

The Company's biological assets consist of cannabis plants. These biological assets are measured at fair value less costs to sell and costs to complete. At the point of harvest, the biological assets are transferred to its customers' inventory at fair value less costs to sell and costs to complete. All direct and indirect costs related to biological assets are capitalized as they are incurred, and expensed when the related item is sold.

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' on the statement of operations in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the statement of operations. Biological assets are measured at their fair value less costs to sell on the balance sheet.

Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory.

3. Significant Accounting Policies (Continued)

d. Biological Assets (Continued)

The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

e. Leases

Leases that do not transfer to the Company substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. These operating leased assets are not recognized in the Company's statement of financial position. Operating lease payments are recognized in the statement of operations on a straight-line basis over the lease term.

f. Property, Plant and Equipment

Property and equipment acquisitions greater than $500 are measured at cost less accumulated depreciation and impairment losses. Depreciation commences when the assets are available for use and is charged to the income statement on a straight-line basis over its useful life as outlined below:

Furniture and fixtures – 7 years
Leasehold Improvements – Remaining life of lease
Office equipment – 5 years
Software – 3 years
Vehicles – 5 years

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate.
When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

3. Significant Accounting Policies (Continued)

g. Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are provided to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

h. Income Taxes

Income tax on the consolidated statements of loss for the periods presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

i. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity.

3. Significant Accounting Policies (Continued)

i. Financial Instruments (Continued)

Initial Measurement of Financial Assets and Financial Liabilities

Financial assets and liabilities are recognized at historical costs.

Subsequent Measurement

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: other financial assets and other financial liabilities.

Classification of Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial Assets:	**Classification:**
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable and deposits	Loans and receivables

Financial Liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Notes payable	Other financial liabilities

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of the year. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

j. Impairment of Non-Financial Assets

Non-financial assets include goodwill. Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use.

3. Significant Accounting Policies (Continued)

j. Impairment of Non-Financial Assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss. An impairment loss, other than goodwill impairment, is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

k. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

<u>Estimated Useful Lives and Depreciation of Property and Equipment</u>

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

<u>Income Taxes and Recoverability of Deferred Tax Assets</u>

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

3. Significant Accounting Policies (Continued)

k. Critical Accounting Estimates and Judgments (Continued)

Income Taxes and Recoverability of Deferred Tax Assets (Continued)

In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction.

The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Biological Assets and Inventory

Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

3. Significant Accounting Policies (Continued)

k. Critical Accounting Estimates and Judgments (Continued)

Allowance for Doubtful Accounts

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

l. Sales Tax

The Company excludes from revenue all sales taxes collected from patients. Sales taxes collected on taxable sales are recorded as current liabilities in the statement of financial position until remitted to the respective taxing authorities.

m. Employee Retirement Contribution Plan

The Company has established a 401(k) retirement plan ("the Plan") for eligible employees who have completed one year of employment. The Plan allows for discretionary tax-deferred contributions by employees and matching employer contributions up to 4% of employee compensation. For the years ended December 31, 2017 and 2016, the Company's retirement contribution expense was $41,184 and $62,404, respectively.

n. New Standards and Interpretations Not Yet Adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 – Financial Instruments:

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for periods commencing on or after January 1, 2018. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace 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.

3. Significant Accounting Policies (Continued)

n. New Standards and Interpretations Not Yet Adopted (Continued)

IFRS 9 – Financial Instruments (Continued)

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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company plans to adopt IFRS 15 on the required effective date and does not believe that this will have a material impact on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and 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. Early adoption is permitted if IFRS 15 has also been adopted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

4. Investments

On December 25, 2017, the Company completed the acquisition of 50% of the 100,000 authorized and issued common shares of San Leandro Wellness Solutions, Inc ("SLWS"), for the purchase price of $3,000,000 to be satisfied with a promissory note in the principal amount of $3,000,000 (Note 13) payable to the seller FLRish, Inc. ("FLRish"), a related party (Note 18). Due to the interest rate on the note to FLRish being below market, the Company has discounted the note payable and investment in SLWS in the amount of $2,165,814 based on a 12% annual interest rate. Prior to completing the purchase, the Company had advanced $82,234 to SLWS. The net investment in SLWS was $916,420 and $21,683 at December 31, 2017 and 2016, respectively.

5. Trade and Other Receivables

Bad debt expense amounts for the years ended December 31, 2017 and 2016 are $0 and $0, respectively. All of the Company's trade and other receivables have been reviewed for indicators of impairment. No impairment was identified. Accounts receivable more than 90 days past due totaled $0 and $0 at December 31, 2017 and 2016, respectively.

6. Restricted Cash Deposits

The Company engaged an outside company ("Processor") to process debit card transactions. The Processor contractually agreed to release the funds upon request. The Processor breached this contract. The Company was successful in litigation against the Processor for return of the funds. The funds were received in installments with the entire balance recouped in March 2017.

7. Inventory

Inventory consisted of cannabis products comprised of the following at December 31st:

	2017	2016
Products for resale	$ 5,879,656	$ 1,836,676
Work-in-process	2,390,055	1,077,085
	$ 8,269,711	$ 2,913,761

8. Deposits

The Company records deposits used to secure future services from suppliers as a long-term asset. At December 31, 2017 and 2016, the Company held security deposits for property leased in the amounts of $13,123 and $13,123, respectively.

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31st:

	2015	Additions	Disposals	Depreciation	2016
Computer Equipment	$ 0	$ 27,933	$ 0	$ 7,964	$ 19,969
Leasehold Improvement	966,033	66,480	0	110,731	921,782
Office Equipment	116,233	13,566	0	22,723	107,076
Vehicles	17,662	0	0	4,415	13,247
Software	66,736	0	0	28,528	38,208
	$ 1,166,664	$ 107,979	$ 0	$ 174,361	$ 1,100,282

	2016	Additions	Disposals	Depreciation	2017
Computer Equipment	$ 19,969	$ 191,589	$ 0	$ 35,540	$ 176,018
Leasehold Improvement	921,782	88,668	0	113,774	896,676
Office Equipment	107,076	35,222	0	25,242	117,056
Vehicles	13,246	36,755	0	8,704	41,297
Software	38,208	0	0	26,970	11,238
	$ 1,100,282	$ 352,234	$ 0	$ 210,230	$ 1,242,286

At December 31, 2017, the Company had fully depreciated property, plant and equipment with a gross carrying amount of $846,261 still in use.

10. Accounts Payable and Accrued Liabilities

	2017	2016
Accounts payable	$ 6,129,263	$ 1,251,271
Accrued expenses	24,332	0
Accrued payroll	1,039,447	1,357,678
Sales taxes payable	2,902,931	1,696,196
	$ 10,095,973	$ 4,305,145

11. Biological Assets

Biological assets consist of immature cannabis plants. Once harvested, biological assets are transferred to inventory. The Company's biological assets are consumable in nature. The Company values biological assets at three stages prior to harvest. The three stages are as follows:

- Cloning – the stage at which the plant is developing roots;
- Vegetative – the stage after the plant has developed roots and is on a 24 hour grow cycle; and
- Flowering – the stage at which the plant has achieved sufficient size to produce cannabis flowers.

11. Biological Assets (Continued)

The carrying values of biological assets for the years ended December 31, 2017 and 2016 are as follows:

Stage (Value)	Count at 12/31/16	Total Value at 12/31/16
Cloning ($6 each)	1,294	$ 7,764
Vegetative ($25 each)	795	19,875
Flowering ($75 each)	6,796	509,700
	8,885	$ 537,339

Stage (Value)	Count at 12/31/17	Total Value at 12/31/17
Cloning ($6 each)	39,843	$ 239,058
Vegetative ($25 each)	30,829	770,725
Flowering ($85 each)	11,513	978,605
	82,185	$ 1,988,388

Realized and unrealized gains and losses arising from changes in the carrying amount of biological assets for the years ended December 31, 2017 and 2016 are as follows:

	Twelve Months Ended December 31,	
	2017	**2016**
Sales revenue, net of discounts	$ 45,316,159	$ 43,391,533
Cost of Goods Sold	38,802,093	31,525,582
Gross Profit before Biological Assets Adjustment	**6,514,066**	**11,865,951**
Realized fair value amounts included in inventory sold	(1,312,970)	(1,077,085)
Unrealized fair value gain (loss) on growth of Biological Ass	1,451,049	537,339
Gross Profit	**6,652,145**	**11,326,205**

The significant assumptions used in determining the fair value of cannabis plants includes:

- Wastage of plants based on their various stages;
- The costs incurred and costs at different stages in the growing cycle of the plants were estimated by calculating an average of total growing costs over the total production period;
- Expected yields for cannabis on plants to be harvested, by strain of plant; and
- The percentage of costs incurred as a percent of total cost was applied to the total fair value per gram, which is determined based on market prices of cannabis.

12. Income Tax Payable

	2017	2016
Income taxes - accumulated	$ 381,836	$ 643,941
	$ 381,836	$ 643,941

13. Notes Payable

The Company has a note payable that financed a vehicle purchase which matures in February 2019. The note bears interest at a rate of 1% and is payable in 60 monthly installments of $438. The note is secured by the vehicle being financed. At December 31, 2017 and 2016, the outstanding principal balances on this note were $5,689 and $9,834, respectively.

The following is a summary of the principal amounts due on this note for the years ended December 31st:

Year Ending December 31	Amount
2018	$ 5,689
	$ 5,689

The company has a note payable owed to FLRish, a related party (Note 18) used to purchase SLWS (Note 4). The note has a principal amount of $3,000,000 and bears interest at a rate of 2%. All principal and accrued interest is payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company has recorded a discount in the amount of $2,165,814 on the note payable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At December 31, 2017 and 2016, the note had a net discount of $2,161,302 and $0, respectively.

The Company engaged FLRish, a related party (Note 18) to assist it in complying with City of San Jose requirements for vertical integration by securing and building out a production facility. FLRish was able to locate a property and began improving it to meet the needs of the Company. The project was discontinued in 2016 as the Company deemed it to be economically infeasible and it had satisfied its need for vertical integration with another project. Prior to discontinuing the project, FLRish incurred $1,090,208 of costs related to the project. A promissory note was issued for the costs incurred which the Company has recorded as a long-term note payable. The note does not have any formal terms. At December 31, 2017 and 2016, the Company owed FLRish $1,055,075 and $1,090,208, respectively.

14. Share Capital

Upon incorporation, the Company was authorized to issue 500,000 shares of a single class of stock ("Common Stock") with a par value of $0.02 per share. All Common Stock has been issued and fully paid. There were no changes to Common Stock during the years ended December 31, 2017 and 2016.

15. Income Taxes

The Company is taxed as a C-corporation for federal and California income tax purposes. The Company does not file consolidated income tax returns. The Company files income tax returns for PMACC and SJW in the U.S. Federal and California jurisdictions. Currently, the 2014 through 2017 income tax returns are open for examination. All required income tax filings are current.

Dividends paid to stockholders are taxable for U.S. federal and State of California income tax. The Company has neither proposed nor declared any dividends.

The Company is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained under examination. Due to the nature of the Company's primary activity, the IRS is attempting to impose Internal Revenue Code Section 280E ("280E"). The imposition of 280E would disallow all tax deductions for general and administrative expenses. The Company has evaluated the potential financial statement effects arising from the imposition of 280E and determined it cannot be reasonably estimated. Accordingly, no provision for the effect of uncertain tax positions has been recorded in the accompanying financial statements.

For the tax years ended December 31, 2017 and 2016, PMACC reported a federal tax loss of $6,194,323 and taxable income of $1,042,943, respectively. The Company has applied for a carryback of $1,676,958 of the 2017 loss to the tax years ended December 31, 2016 and 2015 which, if approved, would generate a refund of $570,166. The remaining $4,517,365 loss will be carried forward twenty years and expire in 2037. The tax benefit from the carryforward of tax losses will be based on the prevailing federal tax rate in the future period applied, which is set to be 21%.

For the tax years ended December 31, 2017 and 2016, PMACC reported a California tax loss of $7,192,609 and taxable income of $753,062, respectively. The 2017 loss will be carried forward. At December 31, 2017 and 2016, PMACC has California Enterprise Zone tax credits of $1,756,484 and $1,709,273, respectively. These credits can be carried forward ten years. California tax losses can be carried forward twenty years. The tax benefit from the carryforward of tax losses will be based on the prevailing California tax rate in the future period applied, which is set to be 8.84%.

For the tax years ended December 31, 2017 and 2016, SJW reported federal tax losses of $428,416 and $833,390, respectively. These losses are being carried forward twenty years with the 2016 loss expiring in 2036 and the 2017 loss expiring in 2037. SJW is carrying forward an additional $226,225 tax loss generated in 2015 and will expire in 2035. The tax benefit from the carryforward of tax losses will be based on the prevailing federal tax rate in the future period applied, which is set to be 21%.

For the tax years ended December 31, 2017 and 2016, SJW reported California tax losses of $1,259,398 and $1,301,057, respectively. California tax losses can be carried forward twenty years. The tax benefit from the carryforward of tax losses will be based on the prevailing California tax rate in the future period applied, which is set to be 8.84%.

15. Income Taxes (Continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Due to the uncertainty relating to 280E, the Company has determined that any deferred taxes cannot be reasonably determined. Accordingly, no provision for deferred tax has been recorded in the accompanying financial statements. Currently petitions for redetermination for the 2007 through 2012 tax years are pending before the U.S. Tax Court based on the Commissioner's imposition of 280E to the returns (Note 20).

16. Costs of Goods Sold

The Company recognizes expenses that relate directly and indirectly to the production of inventory as costs of goods sold on the consolidated statements of net loss.

17. General and Administrative Expenses

The Company recognizes expenses that pertain to operations as general and administrative expenses on the consolidated statements of net loss. General and administrative expenses consist of the following at December 31st:

	2017	2016
Advertising and marketing	$ 471,992	$ 353,343
Bank service charges	101,536	5,116
Community outreach and charitable contributions	71,109	80,324
Corporate development	42,048	174,187
Dues and subscriptions	33,979	8,254
Employee retirement benefits (Note 3o)	41,184	62,404
Employee health benefits	470,772	281,666
Facilities expense	2,286,790	2,284,343
General management	6,964,603	4,575,317
Human resources	40,271	215,361
Insurance expense	810,232	696,507
Penalties	91,650	16,545
Taxes and licenses	1,850,304	1,893,573
Technology expense	285,226	249,482
Travel expense	1,076	52,627
	$ 13,562,772	$ 10,949,049

18. Related Party Transactions

The Company considers the shareholders, members of management, and members of their immediate families, and entities under common control to be related parties to the Company.

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company. Remuneration of directors and key management personnel of the Company was as follows:

	2017	2016
Salaries and benefits	$ 0	$ 568,986
	$ 0	$ 568,986

In the second half of 2016 the compensation of directors and key management personnel was assumed by FLRish Retail Management & Security Services, LLC ("RMCO"), a wholly owned subsidiary of FLRish, as part of the services provided by RMCO (Note 20).

On December 25, 2017, the Company purchased 50% of the authorized and issued common shares of SLWS from FLRish. The purchase price of the common shares of SLWS was $3,000,000. The purchase was satisfied in full by a note payable to FLRish (Note 13). All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025.

At December 31, 2017, the Company owed $55,000 to FLRish, a related party. The amount owed is for money advanced by FLRish to SLWS prior to the acquisition of the common shares of SLWS (Note 4).

The Company has a note payable due to FLRish for costs incurred to assist it in developing a cultivation facility (Note 13). At December 31, 2017 and 2016, the Company owed FLRish $1,000,075 and $1,090,208, respectively.

For the years ended December 31, 2017 and 2016, the Company entered into transactions with a related party, Savature, Inc. ("Savature"), a wholly owned subsidiary of FLRish. The Company and Savature share key management personnel. Savature provides contract services to PMACC (Note 20). For the years ended December 31, 2017 and 2016, Savature billed the Company $7,880,698 and $2,322,700, respectively, for contract services rendered. During the years ended December 31, 2017 and 2016, the Company paid Savature $1,663,243 and $360,140, respectively, for services rendered.

For the years ended December 31, 2017 and 2016, the Company entered into transactions with RMCO, a related party. RMCO and the Company share key management personnel. RMCO provides contract services to PMACC (Note 20). For the years ended December 31, 2017 and 2016, RMCO billed the Company $6,801,312 and $2,648,434, respectively, for services rendered.

18. Related Party Transactions (Continued)

During the years ended December 31, 2017 and 2016, the Company paid RMCO $5,368,562 and $2,619,775, respectively, for services rendered. At December 31, 2017 and 2016, the Company had amounts due to RMCO of $538,259 and $1,461,409, respectively.

For the years ended December 31, 2017 and 2016, RMCO paid lease obligations on behalf of the Company in the amounts of $118,410 and $37,500, respectively. At December 31, 2017, RMCO recognized prepaid lease obligations on behalf of PMACC in the amount of $10,960.

During 2016, the Company advanced money to RMCO and Savature during their startup phases. At December 31, 2016, RMCO and Savature owed the Company $566,918 and $102,815, respectively.

19. Concentrations and Risks

Cash

At December 31, 2017 and 2016, the Company held cash totaling $933,823 and $1,418,511, respectively. As of December 31, 2017and 2016, deposits in excess of federal deposit insurance levels totaled $732,517 and $1,075,598, respectively.

Market

The Company is limited to performing its primary activity in jurisdictions that have legalized the commercial cultivation and sale of cannabis.

Customers

For the years ended December 31, 2017 and 2016, the Company derived all revenues from sales of cannabis and cannabis products.

Suppliers

The Company relies on FLRish to provide a significant portion of the products and services used in its operations (Note 18).

California Operating Licenses

Effective January 1, 2018 the State of California allowed for adult use cannabis sales. Beginning on January 1, 2018, the State began issuing temporary licenses that expired 120 days after issuance for retail distribution and cultivation permits. The Company submitted their applications for the annual licenses in April 2018 and are operating under active temporary licenses which have been extended through various dates from October to July 2019.

19. Concentrations and Risks (Continued)

California Operating Licenses (Continued)

Additional regulations relating to testing cannabis products came into effect on July 1, 2018 required the Company to sell products that would be non-compliant prior to that date. Due to the additional testing requirements effective July 1, 2018, the California market and the Company experienced a shortage in supply of compliant products during the first two weeks of July 2018. The supply chain for the Company has stabilized subsequently.

Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in California, marijuana is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of marijuana preempts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in the Company's inability to proceed with its activities. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because marijuana is still federally illegal.

20. Commitments and Contingencies

Employment Actions

A former employee filed suit against the Company alleging various employment rights issues. The Company is in settlement discussions with the plaintiff and expects the matter to be settled for $95,000 by the end of 2018.

The Company has been named as co-defendant in a separate suit brought by a former employee. The plaintiff alleges various employment rights issues. The matter is pending as of the date of the audit report. The financial statement affects of this action cannot be reasonably estimated.

Leases

Salinas, California - Cultivation:

The Company leases its cultivation facility, consisting of land, buildings, and improvements, located at 26889 Encinal Road, Salinas, California from Savature, a related party (Note 18). The lease agreement commenced on September 15, 2016 with a six-year term subject to an automatic five-year extension. The Company may elect out of the automatic extension by providing notice at least three months, but no earlier than six months, prior to the expiration of the initial term. The lease calls for escalating monthly rent amounts ranging from $185,895 to $801,550.

For the years ended December 31, 2017 and 2016, total rent expense for the Farm was $3,392,766 and $257,337, respectively.

20. Commitments and Contingencies (Continued)

Salinas, California – Cultivation (Continued):

Future minimum rental payments due under the lease are as follows:

Year Ending December 31	Amount
2018	$ 5,275,597
2019	8,764,220
2020	9,288,630
2021	9,520,850
2022	4,007,750
	$ 36,857,047

Oakland, California - Dispensary:

The Company leases its retail facility located at 1840 Embarcadero, Oakland California under a five-year non-cancellable operating lease expiring December 2020 from an unrelated party. Base rent under the lease is $27,115 increasing 2.5% annually.

The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year Ending December 31	Amount
2018	$ 325,380
2019	333,515
2020	341,852
	$ 1,000,747

Oakland, California – Parking:

The Company leases forty-seven parking spots for its facility located at 1840 Embarcadero under a twelve-month non-cancelable operating lease expiring September 2018. The lease is set to renew automatically at the end of each twelve-month term. The lease calls for a base rental rate of $9,870, increasing 3% upon each renewal.

The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year Ending December 31	Amount
2018	$ 88,830
	$ 88,830

20. Commitments and Contingencies (Continued)

San Jose, California – Dispensary:

The Company leases its retail facility located at 1365 North 10th Street, San Jose, California under a ten-year non-cancellable operating lease expiring March 2025. Monthly base rental amounts are $39,000 which are increased annually by 2.75%. The Company has the option to extend the lease for two additional five-year terms after the expiration of the original lease term. The lease also calls for rental commissions equal to 0.4% of monthly gross sales. The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year Ending December 31	Amount
2018	$ 504,285
2019	518,152
2020	532,402
2021	547,043
2022	562,086
Thereafter	1,320,326
	$ 3,984,294

For the years ended December 31, 2017 and 2016, rent expense for the facility was $553,701 and $521,682, respectively.

Contractual Obligations

Software:

On August 24, 2017, the Company entered into a software as a service contract with Treez, Inc. The contract calls for a one-time setup, integration, and training fee of $18,000. The initial term of the contract expires December 31, 2017. Thereafter the contract converts to a three-month term. The contract carries a monthly fee of $6,000 for licensing and support.

Cultivation and Management Services:

On September 15, 2016, the Company entered into an agreement with Savature, LLC (“Savature”), a related party (Note 17), to provide cultivation and management services (“The Contract”). The Contract has a six-year term and automatically renews for an additional five-year term unless the Company and Savature mutually agree not to extend the term.

The Contract stipulates that the Company will reimburse Savature for all expenses related to the management services provided (“Reimbursable Expenses”) except for the following: insurance, taxes, charitable contributions, and repairs and maintenance. Savature charges a service fee of 20% of the Reimbursable Expenses (“Administrative Fees”). For the years ended December 31, 2017 and 2016, the Company had Administrative Fees of $1,148,562 and $192,749, respectively.

20. Commitments and Contingencies (Continued)

Cultivation and Management Services (Continued):

For the years ended December 31, 2017 and 2016, the Company recognized Reimbursable Expenses of $5,220,619 and $1,438,837, respectively.

The Contract also provides for fees to be paid from the Company to Savature based upon the sales performance of products produced under the contract ("MSA Fees"). The MSA Fee is based on a price mutually agreed upon by the Company and Savature. The Company records MSA Fees paid under this agreement as Management Service Fee Expense. For the years ended December 31, 2017 and 2016, the Company recognized MSA Fees of $944,702 and $277,795, respectively. MSA Fees are only recognized when the product is sold by the Company as this is the point at which the MSA Fees can be reasonably measured.

Retailing and Operations Agreement:

On July 1, 2016, the Company engaged RMCO, a related party (Note 18), to provide services regarding the processing, retailing and dispensing of cannabis, cannabis infused products, and related products and educational materials in connection with the Company's operations. The contract has a term of five years and shall renew automatically for two additional five-year periods, unless, on or before the date of renewal, the Company or RMCO determine, in their sole discretion, that the agreement shall not renew.

Fees for services rendered by RMCO are equal to 15% of the Company's gross revenues and are payable monthly. For the years ended December 31, 2017 and 2016, the Company recognized fees to RMCO of $6,801,312 and $3,738,642, respectively, for services rendered.

<u>Income Taxes</u>

Patients Mutual Collective Corporation is involved in three pending United States Tax Court cases, which were consolidated for trial and briefing. Each of these cases involve the same legal issue – the application of IRC Section 280E to the Company's business. Certain Tax Court precedent allows for an allocation between expenses that are directly related to "trafficking" in a controlled substance and expenses that are not. The IRS accepted that the figures on the returns were substantiated and accurate, but nevertheless seeks a complete disallowance of all expenses under 280E. The cases cover the corporate income tax returns for the fiscal years ending: July 31, 2007, July 31, 2008, July 31, 2009, July 31, 2010, July 31, 2011, and July 31, 2012.

Through deficiency notices, the IRS has asserted that the Company is liable for a tax deficiency for each of these tax years. In addition, the IRS is seeking to impose negligence penalties pursuant to IRC Section 6661(a) for each tax year. The Company filed petitions contesting the IRS's findings and challenging the applicability of 280E to its operations. The cases were tried before the United States Tax Court in June of 2016, and post-trial and reply briefs were submitted in January of 2017.

20. Commitments and Contingencies (Continued)

Income Taxes (Continued)

On November 30, 2018, the U.S. Tax Court ruled that Section 280E applies to any business which consists of trafficking in a controlled substance, and such businesses may not deduct their ordinary and necessary business expenses. Based on pre-trial stipulations pertaining to the above-referenced cases, the Company expects the tax liability (the Tax Court has declined to impose any penalties) for the tax periods identified in this section is $11 million to $13 million; this estimate does not include interest.

SJW is involved in two pending tax court cases. Both cases involve the application of 280E. Certain Tax Court precedent allows for an allocation between expenses that are directly related to "trafficking" in a controlled substance and expenses that are not. The IRS accepted that the figures on the returns were substantiated and accurate, but nevertheless seeks a complete disallowance of all expenses under 280E. The cases cover the 2010, 2011, and 2012 corporate income tax returns. Through deficiency notices, the IRS has asserted that the Company is liable for a tax deficiency totaling $2,120,215 for these periods. The Company has filed petitions to contest the applicability of 280E to its operations. The SJW cases were stayed before the U.S. Tax Court pending the outcome of the above-described tax cases. SJW estimates that the deficiencies in tax and penalties asserted by the IRS, not including interest calculations, will be approximately $4.37 million.

21. Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities; short-term note payable; and long-term debt. As of and during the years ended December 31, 2017 and 2016, there were no financial assets or liabilities valued at fair value.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture.

Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

21. Financial Instruments and Risk Management (Continued)

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. As at December 31, 2017, and December 31, 2016 the Company is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash and restricted cash of $925,944 (2016 - $1,611,766) and accounts receivable of $235,831 (2016 - $753,244) represent the maximum exposure to credit risk. The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statements of financial position are net of allowance for doubtful accounts as estimated by management of the Company based on its assessment of the current economic environment.

The Company does not have significant exposure to any individual customer and has estimated bad debts of $0 and $0 at December 31, 2017 and 2016, respectively.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At December 31, 2017, the Company had $925,944 (2016 - $1,418,511) of cash, $0 (2016 - $193,265 of restricted cash and working capital of ($8,167,023) (2016 – ($595,891)).

22. Capital Management

The Company considers its capital structure to include contributed capital, accumulated deficit, non-controlling interests and any other component of shareholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the years ended December 31, 2017 and 2016.

23. Segmented Information

The Company currently operates in one segment, the production and sale of cannabis pursuant to state and local law.

24. Subsequent Events

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued.

PMACC / SJW Multi Party Merger Agreement

On April 29, 2018, FLRish Flagship Enterprises, Inc. ("FFE") entered into an agreement with a 50% shareholder ("Shareholder 1") of PMACC titled the Multi Party Merger Agreement ("MPMA"). The MPMA relates to the potential exchange of FLRish, shares for PMACC shares and SJW shares and the subsequent merger of those entities into FFE, a wholly owned subsidiary of FLRish.

Under the terms of the MPMA, FLRish would escrow 1,204,819 shares of Series B Common Stock until either of the following occurred; a) a purchase agreement is obtained from the other 50% shareholder of PMACC ("Shareholder 2") or a forced buyout of the Shareholder 2's interests can occur and is exercised by Shareholder 1 and paid for by the Company at its discretion. In the event that neither of those events occur prior to the sixty-sixth (66th) month from the date the MPMA's effective date, the escrow shall be cancelled and the shares returned to FLRish.

On September 27, 2018, Shareholder 2 of PMACC entered into a binding term sheet with FLRish relating to the exchange, by merger, of all of the stock of PMACC and SJW in exchange for initial consideration equal to 1,686,547 Series B Common Stock of FLRish and later consideration equal to 30% of the difference between $29,000,000 and the final judgment amount, or a negotiated settlement amount, of the tax litigation related to PMACC and SJW, payable in stock at the value at such time.

24. Subsequent Events (Continued)

PMACC / SJW Multi Party Merger Agreement (Continued)

On January 7, 2019, the Company entered into merger option agreements that superseded prior MPMA agreements providing the right to purchase, and merge into subsidiaries of FLRish, all of the interests of PMACC and SJW with Shareholder 1 and Shareholder 2. Pursuant to the terms of the merger option agreements, the Company has the right to exercise the merger options at any time. In exchange for the merger option, the Company issued 1,581,467 Series B Common Shares to Shareholder 1 and 2,469,781 Series B Common Shares to Shareholder 2.

Notes Payable

On October 29, 2018, the Company received $2,700,000 from FLRish through a promissory note bearing interest at a rate of 12%. All principal and accrued interest are payable in a balloon payment due October 29, 2019.

Tax Case

On November 30, 2018, the U.S. Tax Court ruled on the PMACC Tax Case that Section 280E applies to any business which consists of trafficking in a controlled substance, and such businesses may not deduct their ordinary and necessary business expenses (Note 20).

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION, INC.

UNAUDITED INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in United States Dollars)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
of Patients Mutual Assistance Collective Corporation
Oakland, California

We have reviewed the accompanying condensed consolidated financial statements of Patients Mutual Assistance Collective Corporation, which comprise the condensed consolidated statements of financial position as of September 30, 2018 and December 31, 2017, and the related condensed statements of income and changes in equity and cash flows for the three and nine months then ended, and the related notes to the condensed consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with International Accounting Standard 34 Interim Financial Reporting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with International Accounting Standard 34 Interim Financial Reporting.

James S. Lovejoy, CPA, CGMA

James S. Lovejoy, CPA, PC
Kittredge, Colorado
April 29, 2019

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in United States dollars)

		September 30, 2018	December 31, 2017
Assets		(Unaudited)	(Audited)
Current Assets			
Cash		$ 1,286,338	$ 925,944
Accounts Receivable	Note 5	707,129	235,831
Inventory	Note 7	2,977,463	8,269,711
Biological Assets	Note 8	3,456,184	1,988,388
Other Current Assets		467,798	542,945
Total Current Assets		**8,894,912**	**11,962,819**
Non-current Assets			
Property and Equipment, Net	Note 6	1,221,545	1,242,286
Deposits	Note 9	13,123	13,123
Investments	Note 4 and Note 12	1,345,461	916,420
Total Non-current Assets		**2,580,129**	**2,171,829**
Total Assets		**$ 11,475,042**	**$ 14,134,647**
Liabilities and Shareholders' Equity			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	Note 10	$ 8,632,768	$ 10,092,503
Accounts Payable - Related Party	Note 16	18,697,163	9,641,425
Income Taxes Payable	Note 14	309,179	381,836
Excise Tax Payable		235,640	-
Notes Payable, Current Portion	Note 12	1,765	5,689
Total Current Liabilities		**27,876,516**	**20,121,453**
Long Term Liabilities			
Notes Payable, Net of Current Portion	Note 12	1,532,849	1,893,772
Total Long Term Liabilities		**1,532,849**	**1,893,772**
Total Liabilities		**29,409,365**	**22,015,226**
Shareholders' Equity			
Share Capital	Note 13	10,000	10,000
Contributed surplus		47,500	47,500
Accumulated Deficit		(17,991,823)	(7,938,077)
Total Shareholders' Equity		**(17,934,323)**	**(7,880,577)**
Total Liabilities and Shareholders' Equity		**$ 11,475,042**	**$ 14,134,648**

Approved and authorized on behalf of the Board of Directors on April 29, 2019:

Andrew DeAngelo Treasurer

See accompanying notes to the interim condensed consolidated financial statements.

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Month Period Ended September 30, 2018 and 2017
(in United States dollars)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Retail Sales		$ 9,161,023	$ 10,461,007	$ 28,672,759	$ 32,930,658
Wholesale Sales		2,339,734	285,874	3,178,408	1,490,565
Total Income		**11,500,757**	**10,746,881**	**31,851,167**	**34,421,223**
Retail Cost of Goods Sold		6,309,900	8,097,834	21,150,027	24,798,538
Wholesale Cost of Goods Sold		4,658,492	825,240	11,564,352	3,332,971
Gross Profit before Biological Assets Adjustment		**532,365**	**1,823,806**	**(863,212)**	**6,289,714**
Net Effect of Changes in Fair Value of Biological Assets		**(579,889)**	**431,099**	**1,467,796**	**1,733,339**
Gross Profit		**(47,524)**	**2,254,905**	**604,584**	**8,023,053**
Expenses					
General and Administrative	Note 15	3,239,723	3,204,115	9,674,896	9,801,411
Professional Fees		215,213	96,240	682,835	145,649
Depreciation and Amortization		66,963	56,199	207,212	150,164
Total Operating Expenses		**3,521,899**	**3,356,554**	**10,564,943**	**10,097,224**
Loss from Operations		**(3,569,424)**	**(1,101,650)**	**(9,960,359)**	**(2,074,171)**
Other Income (Expense)					
Interest, Net		(67,847)	(398)	(205,346)	(522)
Impairment Loss		-	-	-	-
Gain on Sale of Investment		-	-	-	-
Gain on Sale of Equipment		-	-	-	-
Other Expenses		11,441	14,475	38,307	92,544
Total Other Income (Expense)		**56,405**	**(14,077)**	**167,039**	**(92,022)**
Loss Before Provision for Income Taxes		**(3,513,018)**	**(1,115,727)**	**(9,793,320)**	**(2,166,193)**
Provision for Income Taxes	Note 14	-	-	(73,652)	-
Net Loss		**$ (3,513,018)**	**$ (1,115,727)**	**$ (9,719,668)**	**$ (2,166,193)**

See accompanying notes to the interim condensed consolidated financial statements.

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Months Period Ended September 30, 2018 and 2017

(in United States dollars)

	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance, January 1, 2017	$ 10,000	$ 47,500	$ (613,806)	$ (556,306)
Net Loss	-	-	(1,982,149)	(1,982,149)
Balance, September 30, 2017	$ 10,000	$ 47,500	$ (2,595,955)	$ (2,538,455)
Balance, January 1, 2018	$ 10,000	$ 47,500	$ (7,938,077)	(7,880,577)
Net Loss	-	-	(10,053,746)	(10,053,745)
Balance, September 30, 2018	$ 10,000	$ 47,500	$ (17,991,823)	$ (17,934,323)

See accompanying notes to the interim condensed consolidated financial statements.

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION

CONSOLIDATED STAEMENTS OF CASH FLOWS

For the Nine Month Period Ended September 30, 2018 and 2017

(in United States dollars)

	Nine Months Ended September 30,	
	2018	**2017**
	(Unaudited)	(Audited)
Cash Flows from Operating Activites		
Net Loss	$ (10,053,746)	$ (1,982,149)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations:		
Interest income	(370)	(462)
Interest expense	458	-
Depreciation and Amortization	207,187	150,164
Changes in Operating Assets and Liabilites:		
Accounts Receivable	(471,298)	(43,090)
Accounts Receivable - Related Party	-	641,074
Accounts Payable	(1,459,735)	555,976
Accounts Payable - Related party	9,055,738	6,445,904
Inventory	5,292,248	(4,639,991)
Biological Assets	(1,467,796)	(1,196,000)
Other Current Assets	75,148	(168,002)
Restricted Cash Deposits	-	217,015
Income Tax Payable	(72,657)	(276,142)
CA Excise Tax Payable	235,640	-
Net Cash Provided by Operating Activites	**1,340,817**	**(295,704)**
Cash Flows from Investing Activites		
Property and Equipment, Net	(186,446)	(204,281)
Investment in San Leandro	(429,042)	21,683
Interest received	370	462
Net Cash Used in Investing Activites	**(615,118)**	**(182,136)**
Cash Flows from Financing Activites		
Notes Payable - Short Term Auto	(3,924)	(1,945)
Note Payable - FLRish Inc	(360,924)	(97,474)
Interest paid	(458)	-
Net Cash Used in Financing Activites	**(365,306)**	**(99,419)**
Increase (decrease) in Cash	360,394	(577,259)
Cash, Beginning of Period	925,944	1,418,511
Cash, End of Period	$ 1,286,338	$ 841,252

See accompanying notes to the interim condensed consolidated financial statements.

1. Nature of Operations

Patients Mutual Assistance Collective Corporation ("The Company"), a California Corporation, was incorporated on August 28, 2005 under the California Corporation Code, in the United State of America. The Company commenced operations on September 7, 2005. The Company's primary activity is the cultivation and dispensing of cannabis to eligible individuals in Oakland and San Jose, California, pursuant to state and local law.

The primary objective of the Company is to provide extraordinary service by offering cannabis through a safe and affordable alternative to illegal markets. The Company serves individuals suffering from a wide variety of medical issues as well as all adults over the age of twenty-one and advocates for the needs of its patients, customers, and the community. The Company strives to promote the benefits of cannabis through social and political awareness. The Company is supported primarily through the sale of cannabis and related products.

The address of the Company's principal place of business is 1840 Embarcadero Oakland, CA 94606. The Company's registered and records office address is located at 2100 Embarcadero, Suite 205, Oakland, California 94606.

2. Basis of Preparation

Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2017.

The unaudited interim condensed consolidated financial statements do not conform in all respects to the requirements of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the December 31, 2017 audited consolidated financial statements and related notes thereto.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors of the Company on April 29, 2019.

Basis of Measurement

The unaudited interim consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Functional Currency

These unaudited interim condensed consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar.

Basis of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and the following entities which are controlled by the Company.

Entity	Place of incorporation	Effective ownership
San Jose Wellness Solutions Corp.	California	100%

All significant intercompany balances and transactions have been eliminated in consolidation.

3. Significant Accounting Policies

(a) Trade and Other Receivables

Accounts and notes receivable are recorded at net realizable value. The Company provides for probable losses on accounts and notes receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Company has used reasonable collection efforts are written off. The Company has recorded no allowance as of September 30, 2018 and December 31, 2017 as receivables are historically 100% collectible.

(b) Biological Assets

The Company's biological assets consist of cannabis plants. These biological assets are measured at fair value less costs to sell and costs to complete. At the point of harvest, the biological assets are transferred to its customers' inventory at fair value less costs to sell and costs to complete. All direct and indirect costs related to biological assets are capitalized as they are incurred, and expensed when the related item is sold.

Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost. All direct and indirect costs related to inventory are capitalized as they are incurred, and expensed when the related item is sold.

(d) Property and Equipment

Property and equipment acquisitions are capitalized at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Furniture and fixtures	7 years
Office equipment	5 years
Software	3 years
Vehicles	5 years
Leasehold improvements	Remaining life of lease

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period. The Company annually reviews the property and equipment records for impairment of value and records any adjustments necessary.

(e) Leases

Leases that do not transfer to the Company substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term.

(f) Revenue Recognition

The IASB's new revenue recognition standard IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was adopted by the Company on January 1, 2018. The new standard replaces IAS 18 - Revenue, and provides for a single model that applies to all sales to customers with two types of recognition: at a point in time or over time. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of adoption. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

1. Identify the sales to a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

The Company's revenues are derived from sales to the Company's customers. Under IFRS 15, the Company has determined that revenue will be recognized at the point of transaction to its customers which is consistent with the Company's revenue recognition policy under IAS 18.

(g) Recent Accounting Pronouncements

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

<u>IFRS 7 – Financial Instruments: Disclosure</u>

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

<u>IFRS 9 – Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to sales to customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Company has substantially completed the assessment of the impact of the application of the new standard and reached conclusions on key accounting policies upon transitioning to IFRS 15. The Company has not identified any material impacts on the consolidated financial statements upon initial application. The Company continues to assess the impact of the disclosure requirements under IFRS 15 on the Company's consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

4. Significant Transactions

Investments

On December 25, 2017, the Company completed the acquisition of 50% of the authorized and issued common shares of San Leandro Wellness Solutions, Inc ("SLWS"), for the purchase price of $3,000,000 to be satisfied with a promissory note in the principal amount of $3,000,000 (Note 12) issued to the seller FLRish, Inc. ("FLRish"). FLRish is a related party of the Company (Note 16). Due to the interest rate on the note to FLRish being below market, the Company has discounted the note payable and investment in SLWS in the amount of $2,165,814 based on a 12% annual interest rate. Prior to completing the purchase, the Company had advanced $82,234 to SLWS. The total principal amount invested in SLWS was $1,345,461 and $916,420 at September 30, 2018 and December 31, 2017, respectively.

(Expressed in United States Dollars)

5. Trade and Other Receivables

Bad debt expense amounts for the nine months ended September 30, 2018 and 2017 were $0 and $0, respectively.

All of the Company's trade and other receivables have been reviewed for indicators of impairment. No impairment was identified. Accounts receivable more than 90 days past due totaled $0 and $0 at September 30, 2018 and 2017, respectively.

6. Property and Equipment

Property and Equipment assets of the Company consisted of the following at September 30, 2018 and December 31, 2017:

	December 31, 2017 (Audited)	Additions	Disposals	Depreciation	**September 30 2018** (Unaudited)
Computer equipment	$ 176,018	$ 54,071	$ -	$ 68,007	$ 162,082
Leasehold improvement	896,676	91,673	-	92,792	895,557
Office equipment	117,056	40,727	-	26,325	131,457
Vehicles	41,298	-	-	8,825	32,473
Software	11,238	-	-	11,238	-
	$1,242,286	$ 186,471	$ -	$ 207,187	$1,221,570

Depreciation expense for the three and nine months ended September 30, 2018 totaled $66,938 and $207,187, respectively, and $56,199 and $150,164 for the three and nine months ended September 30, 2017, respectively.

7. Inventory

As at September 30, 2018 and December 31, 2017 Inventory consisted of cannabis products comprised of the following:

	September 30, 2018 (Unaudited)	**December 31, 2017** (Audited)
Products for resale	$ 1,117,569	$ 5,879,656
Finished goods	1,893,776	2,390,055
	$ 3,011,345	$ 8,269,711

(Expressed in United States Dollars)

8. Biological Assets

Biological assets consist of immature cannabis plants. Once harvested, biological assets are transferred to inventory. The Company's biological assets are consumable in nature. The Company values biological assets at three stages prior to harvest. The three stages are as follows:

- Cloning – the stage at which the plant is developing roots.
- Vegetative – the stage after the plant has developed roots and is on a 24 hour grow cycle.
- Flowering – the stage at which the plant has achieved sufficient size to produce cannabis flowers.

The carrying values of biological assets for the nine months ended September 30, 2018 were as follows:

Stage (Value)	Count at 9/30/2018		Total Value at 9/30/2018
	(Unaudited)		(Unaudited)
Cloning ($6 each)	10,409	$	62,454
Vegetative ($25 each)	14,393	$	359,825
Flowering ($85 each)	35,693	$	3,033,905
	60,495	$	3,456,184

Realized and unrealized gains and losses arising from changes in the carrying amount of biological assets for the nine months ended September 30, 2018 and September 30, 2017 are as follows

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Retail Sales	$ 9,161,023	$ 10,461,007	$ 28,672,759	$ 32,930,658
Wholesale Sales	2,339,734	285,874	3,178,408	1,490,565
Total Income	**11,500,757**	**10,746,881**	**31,851,167**	**34,421,223**
Retail Cost of Goods Sold	6,353,886	8,097,834	21,194,013	24,798,538
Wholesale Cost of Cannabis Sold	4,816,408	(2,025,903)	12,060,631	(1,842,414)
Gross Profit before Biological Assets Adjustment	**330,463**	**4,674,950**	**(1,403,477)**	**11,465,099**
Realized fair value amounts included in inventory sold	157,916	(2,851,143)	496,279	(5,175,385)
Unrealized fair value gain (loss) on growth of Biological Ass	(579,889)	431,098	1,467,796	1,733,339
Gross Profit	**(91,510)**	**2,254,905**	**560,598**	**8,023,053**

(Expressed in United States Dollars)

The significant assumptions used in determining the fair value of cannabis plants includes:

- Wastage of plants based on their various stages;
- The costs incurred and costs at different stages in the growing cycle of the plants were estimated by calculating an average of total growing costs over the total production period;
- Expected yields for cannabis on plants to be harvested, by strain of plant; and
- The percentage of costs incurred as a percent of total cost was applied to the total fair value per gram, which is determined based on market prices of cannabis.

9. Deposits

The Company records deposits used to secure future services from suppliers as a long-term asset. At September 30, 2018 and December 31, 2017, the Company held security deposits for property leased in the amounts of $13,123 and $13,123, respectively.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at September 30, 2018 and December 31, 2017:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Accounts payable	$ 4,965,234	$ 6,125,794
Accrued expenses	-	24,587
Accrued payroll	1,262,190	1,039,192
Sales taxes payable	2,508,364	2,902,931
	$ 8,735,788	$ 10,092,503

11. Income Tax Payable

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Income taxes - accumulated	$ 309,179	$ 381,836
	$ 309,179	$ 381,836

12. Notes Payable

(a) Vehicle Note

The Company has a note payable that was used to finance a vehicle purchase, which matures in February 2019 (the “Vehicle Note”). The Vehicle Note bears interest at a rate of 1% and is payable in 60 monthly installments of $438. The Vehicle Note is secured by the vehicle being financed. At the nine months ended September 30, 2018, the outstanding principal balance on the Vehicle Note was $1,765,

(Expressed in United States Dollars)

(b) Related Party Note

The Company has a note payable owed to FLRish, a related party (Note 16) which was used to purchase SLWS (the "SLWS Note") (Note 4). The SLWS Note has a principal amount of $3,000,000 and bears interest at a rate of 2%. All principal and accrued interest is payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company has recorded a discount in the amount of $2,165,814 on the note payable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At September 30, 2018, the note had a net discount of $1,958,253.

The Company engaged FLRish, a related party (See Note 16), to assist it in complying with City of San Jose requirements for vertical integration by securing and building out a production facility. FLRish was able to locate a property and began improving it to meet the needs of the Company. The project was discontinued in 2016 as the Company deemed it to be economically infeasible and it had satisfied its need for vertical integration with another project. Prior to discontinuing the project, FLRish incurred $1,090,208 of costs related to the project. The Company has recorded the amount owed to FLRish (the "Cannery Note"), as a long-term note payable. The Cannery Note does not have any formal terms or accrued interest. At September 30, 2018, the Company owed FLRish $0.

Stated maturities of debt obligations are as follows:

Year ending December 31	Amount
	(Unaudited)
2018 (three months)	$ 1,765
2019	-
2020	-
2021	-
2022	-
Thereafter	1,532,849
	$ 1,534,614

13. Share Capital

Upon incorporation, the Company was authorized to issue 500,000 shares of a single class of stock ("Common Stock") with a par value of $.02 per share. All shares of Common Stock have been issued and fully paid. There were no changes to the Common Stock during the six months ended September 30, 2018.

(Expressed in United States Dollars)

14. Income Taxes

The tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter the Company updates its estimate of the annual effective tax rate, and if the Company's estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter. The Company's quarterly tax provision, and the Company's quarterly estimate of its annual effective tax rate, are subject to several factors, including the Company's ability to accurately predict its pre-tax income and loss.

The income tax recovery for the nine months ended September 30, 2018 and 2017 was $73,562 and $0, respectively.

15. General and Administrative Expenses

For the three and nine months ended September 30, 2018 and September 30, 2017, general and administrative expenses were comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Advertising and marketing	$ 59,237	$ 111,298	$ 461,408	$ 136,941
Bank charges	205,412	8,324	756,889	20,556
Donations	5,285	17,205	18,666	59,615
Corporate development	6,636	12,762	19,061	35,727
Dues & subscriptions	4,054	17,449	17,062	28,397
Facilities	453,723	412,339	1,400,988	1,287,614
General management	1,376,083	1,621,203	4,397,940	5,161,061
Salaries and wages	210,444	287,277	747,078	878,686
Human resources	9,933	12,889	34,008	29,468
Insurance expense	164,179	155,320	529,620	522,943
Tax penalties	1,340	13,257	50,324	85,743
Taxes and licenses	482,156	463,210	723,494	1,383,961
Technology expense	131,225	71,582	384,814	170,701
Travel	243	-	3,768	-
Total general and administrative expenses	$ 3,109,948	$ 3,204,115	$ 9,545,121	$ 9,801,412

16. Related Party Transactions

The Company considers the shareholders, members of management, and members of their immediate families, and entities under common control to be related parties to the Company.

On December 25, 2017, the Company purchased 50% of the authorized and issued common shares of SLWS from FLRish. The purchase price for a 50% interest in SLWS was $3,000,000. The purchase was satisfied in full by a note issued by the Company to FLRish, the SLWS Note At September 30, 2018 and December 31, 2017, the Company owed FLRish $3,046,302 and $3,000,986, respectively, including accrued interest, for the purchase of SLWS (Note 12).

As at September 30, 2018 and December 31, 2017, the Company owed $177,199 and $55,000, respectively to FLRish under the FLRish Note (Note 12).

The Company has a note payable due to FLRish for costs incurred to assist it in developing a cultivation facility (Note 12). At September 30, 2018, the Organization owed FLRish $0 under the Cannery Note.

During the nine months ended September 30,2018, the Company entered into transactions with a related party, Savature, Inc. (“Savature”), a wholly owned subsidiary of FLRish. The Company and Savature share key management personnel. Savature provides contract services to PMACC (Note 18). For the nine months ended September 30, 2018, Savature billed the Company $6,439,986, for contract services rendered. During the nine months ended September 30, 2018, the Company paid Savature $2,677,004, for services rendered.

During the nine months ended September 30, 2018, the Company entered into transactions with a related party, FLRish and its wholly owned subsidiary, FLRish Retail Management & Security Services, LLC (“RMCO”). FLRish, RMCO and the Company share key management personnel. RMCO provides contract services to PMACC (Note 18). For the nine months ended September 30, 2018, RMCO billed the Company $4,383,130 for services rendered. During the nine months ended September 30, 2018, the Company paid RMCO $2,065,328 for services rendered. At the nine months ended September 30, 2018, the Company had an amount due to RMCO of $3,779,211.

17. Concentrations and Risks

Market

The Company operations are currently limited to performing its primary activity in jurisdictions that have legalized the commercial cultivation and sale of cannabis.

California Operating Licenses

Effective January 1, 2018 the State of California allowed for adult use cannabis sales. Beginning on January 1, 2018, the State began issuing temporary licenses that expired 120 days after issuance for retail distribution and cultivation permits. The Company submitted their applications for the annual licenses in April 2018 and are operating under active temporary licenses which have been extended through various dates from October to December 2018.

Additional regulations relating to testing cannabis products came into effect on July 1, 2018 required the Company to sell products that would be non-compliant prior to that date. Due to the additional testing requirements effective July 1, 2018, the California market and the Company experienced a shortage in supply of compliant products during the first two weeks of July 2018. The supply chain for the Company has stabilized subsequently.

Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in California, marijuana is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of marijuana preempts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in the Company's inability to proceed with its activities. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because marijuana is still federally illegal.

18. Commitments and Contingencies

<u>Legal Claims</u>

A former employee filed suit against the Company alleging various employment rights issues. The Company is in settlement discussions with the plaintiff and expects the matter to be settled for $95,000 by the end of 2018.

The Company has been named as co-defendant in a separate suit brought by a former employee. The plaintiff alleges various employment rights issues. The matter is pending as of the report date. The financial statement effects of this action cannot be reasonably estimated.

<u>Leases</u>

Salinas, California - Cultivation:

The Company leases its cultivation facility, consisting of land, buildings, and improvements, located at 26889 Encinal Road, Salinas, California from Savature, a related party (Note 16). The lease agreement commenced on September 15, 2016 with a six-year term subject to an automatic five-year extension. The Company may elect out of the automatic extension by providing notice at least three months, but no earlier than six months, prior to the expiration of the initial term. The lease calls for escalating monthly rent amounts ranging from $185,895 to $801,550.

The parties agreed to a reduction in the lease amount of $878,322, reflected in the minimum payments due for 2018.

For the nine months ended September 30, 2018, total rent expense for the Farm was $3,297,956. Future minimum rental payments due under the lease are as follows:

(Expressed in United States Dollars)

Year ending December 31	Amount (Unaudited)
2018 (three months)	$ 1,099,319
2019	8,764,220
2020	9,288,630
2021	9,520,850
2022	4,007,750
	$ 32,680,769

Oakland, California - Dispensary:

The Company leases its retail facility located at 1840 Embarcadero, Oakland California under a five-year non-cancellable operating lease expiring December 2020 from an unrelated party. Base rent under the lease is $27,115 increasing 2.5% annually.

The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year ending December 31	Amount (Unaudited)
2018 (three months)	$ 81,345
2019	333,515
2020	341,852
	$ 756,712

Oakland, California – Parking:

The Company leases forty-seven parking spots for its facility located at 1840 Embarcadero under a twelve-month non-cancelable operating lease expiring September 2018. The lease is set to renew automatically at the end of each twelve-month term. The lease calls for a base rental rate of $9,870, increasing 3% upon each renewal.

The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year ending December 31	Amount (Unaudited)
2018 (three months)	$ 22,208
	$ 22,208

(Expressed in United States Dollars)

San Jose, California – Dispensary:

The Company leases its retail facility located at 1365 North 10th Street, San Jose, California under a ten-year non-cancellable operating lease expiring March 2025. Monthly base rental amounts are $39,000 which are increased annually by 2.75%. The Company has the option to extend the lease for two additional five-year terms after the expiration of the original lease term. The lease also calls for rental commissions equal to .4% of monthly gross sales.

The following is a schedule of future minimum rental payments due under the lease agreement for the years ending December 31st:

Year ending December 31		Amount (Unaudited)
2018 (three months)	$	126,071
2019		518,152
2020		532,402
2021		547,043
2022		562,086
Thereafter		1,320,326
	$	3,606,080

Contractual Obligations

Cultivation and Management Services:

On September 15, 2016, the Company entered into an agreement with Savature, a related party (Note 16), to provide cultivation and management services ("Contract"). The Contract has a six-year term and automatically renews for an additional five-year term unless the Company and Savature mutually agree not to extend the term.

The Contract stipulates that the Company will reimburse Savature for all expenses related to the management services provided ("Reimbursable Expenses") except for the following: insurance, taxes, charitable contributions, and repairs and maintenance. Savature charges a service fee of 20% of the Reimbursable Expenses ("Administrative Fees"). For the nine months ended September 30, 2018, the Company had Administrative Fees of $885,319. For the nine months ended September 30, 2018, the Company recognized Reimbursable Expenses of $4,426,597.

The Contract also provides for fees to be paid from the Company to Savature based upon the sales performance of products produced under the contract ("MSA Fees"). The MSA Fee is based on a price mutually agreed upon by the Company and Savature. The Company records MSA Fees paid under this agreement as Management Service Fee Expense. For the nine months ended September 30, 2018, the

Company recognized MSA Fees of $1,128,069. MSA Fees are only recognized when the product is sold by the Company as this is the point at which the MSA Fees can be reasonably measured.

Retailing and Operations Agreement:

On July 1, 2016, the Company engaged RMCO, a related party (Note 16), to provide services regarding the processing, retailing and dispensing of cannabis, cannabis infused products, and related products and educational materials in connection with the Company's operations. The contract has a term of five years and shall renew automatically for two additional five-year periods, unless, on or before the date of renewal, the Company or RMCO determine, in their sole discretion, that the agreement shall not renew.

Fees for services rendered by RMCO are equal to 15% of the Company's gross revenues and are payable monthly. For the nine months ended September 30, 2018, the Company recognized fees to RMCO of $4,300,914 for services rendered.

Employment Agreements

The Company has employment agreements with certain employees under which it is obligated to make severance payments, accelerate vesting of stock options and provide other benefits in the event of the employee's termination, change in role or a change in control as defined in such agreements.

19. Financial Instruments and Financial Risk Management

Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities; short-term note payable; and long-term debt. As of and during the periods ended September 30, 2018 and December 31 2017, there were no financial assets or liabilities valued at fair value.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable. At September 30, 2018, the Company is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash and restricted cash of $1,286,318, accounts receivable of $707,129 and notes receivable of $0 represent the maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company does not have significant exposure to any individual single customer. The Company has estimated bad debts of $0 and $0 at September 30, 2018 and December 31, 2017, respectively.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2018, the Company had $1,286,318 of cash and working capital deficit of ($18,463,056).

20. Capital Management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

- To maximize shareholder return through enhancing the share value.

The Company considers its capital to be total equity. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2018. The Company is not subject to any external capital requirements.

21. Subsequent Events

Subsequent events were evaluated through the date of the audit report, which is the date the unaudited interim condensed consolidated financial statements were available to be issued.

PMACC / SJW Multi Party Merger Agreement

On April 29, 2018, FLRish Flagship Enterprises, Inc. (“FFE”) entered into an agreement with a 50% shareholder (“Shareholder 1”) of PMACC titled the Multi Party Merger Agreement (“the MPMA”). The MPMA relates to the potential exchange of FLRish shares for PMACC shares and San Jose Wellness Solutions (“SJW”) shares and the subsequent merger of those entities into FFE, a wholly owned subsidiary of FLRish.

Under the terms of the MPMA, FLRish would escrow 1,204,819 shares of Series B Common Stock until either of the following occurred; a) a purchase agreement is obtained from the other 50% shareholder of PMACC ("Shareholder 2") or a forced buyout of the Shareholder 2's interests can occur and is exercised by Shareholder 1 and paid for by the Company at its discretion. In the event that neither of those events occur prior to the sixty-sixth (66th) month from the date the MPMA's effective date, the escrow shall be cancelled and the shares returned to FLRish.

On September 27, 2018, Shareholder 2 of PMACC entered into a binding term sheet with FLRish relating to the exchange, by merger, of all of the stock of PMACC and SJW in exchange for initial consideration equal to 1,686,547 Series B Common Stock of FLRish and later consideration equal to 30% of the difference between $29,000,000 and the final judgment amount, or a negotiated settlement amount, of the tax litigation related to PMACC and SJW, payable in stock at the value at such time.

Notes Payable

On October 29, 2018, the Company received $2,700,000 from FLRish through a promissory note bearing interest at a rate of 12%. All principal and accrued interest are payable in a balloon payment due October 29, 2019.

Tax Case

On November 30, 2018, the U.S. Tax Court ruled on the PMACC Tax Case that Section 280E applies to any business which consists of trafficking in a controlled substance, and such businesses may not deduct their ordinary and necessary business expenses.

SCHEDULE "D"
PRO FORMA FINANCIAL STATEMENTS OF RESULTING ISSUER

HARBORSIDE, INC.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT OCTOBER 31, 2018

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

HARBORSIDE, INC.

Pro Forma Condensed Consolidated Statement of Financial Position
As at October 31, 2018
(Unaudited)
(Expressed in United States Dollars)

	Lineage Grow Company Ltd.	FLRish, Inc.	Patients Mutual Assistance Collective Corporation	Note 4	Pro Forma Adjustments	Pro Forma Consolidation
	$	$	$		$	$
Assets						
Current Assets						
Cash	203,635	368,484	1,286,338	a	4,395,952	75,875,562
				b	7,344,042	
				c	12,870,826	
				f	6,562,167	
				g	1,864,252	
				h	42,159,291	
				k	(570,689)	
				o	(608,735)	
Accounts receivable	119,998	-	707,129			827,127
Accounts receivable - related party	-	17,275,402	-	l	(17,275,402)	-
Inventories	90,173	-	2,977,463			3,067,636
Biological assets	-	-	3,456,184			3,456,184
Prepaid expenses and advances	1,234,329	260,002	-			1,494,331
Promissory notes receivable	1,095,370	-	-			1,095,370
Other assets	-	-	467,798			467,798
Total Current Assets	**2,743,505**	**17,903,888**	**8,894,912**		**56,741,703**	**86,284,008**
Non-Current Assets						
Property and equipment, net	166,341	8,701,319	1,221,545			10,089,205
Note receivable - related party	-	1,218,945	-	m	(1,218,945)	-
Deposits	-	277,130	13,124			290,254
Investments	-	-	1,345,461			1,345,461
Licenses	209,500	-	-			209,500
Goodwill	723,844	-	-	j	7,880,943	8,604,787
Total Assets	**3,843,190**	**28,101,282**	**11,475,042**		**63,403,702**	**106,823,216**
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	371,999	5,757,807	8,632,768	e	(57,069)	14,705,505
Accounts payable - related party	-	-	18,697,163	l	(17,275,402)	1,421,761
Dividend payable	-	-	-	i	5,373,366	5,373,366
Convertible debentures - current	112,274	-	-			112,274
Derivative liabilities - current	135,210	-	-			135,210
Income taxes payable	-	-	309,179			309,179
Excise tax payable	-	-	235,640			235,640
Notes payable and accrued interest - current	151,652	1,404,996	1,765			1,558,413
Deferred gain on sale of equipment	-	38,553	-			38,553
Total Current Liabilties	**771,135**	**7,201,356**	**27,876,515**		**(11,959,105)**	**23,889,901**
Non-Current Liabilities						
Convertible debentures	-	-	-	a	4,726,830	28,327,500
				b	7,896,819	
				c	13,839,598	
				g	1,864,252	
Derivative Liability		11,726,940		p	(11,726,940)	
Debentures				f	6,562,167	6,562,167
Notes payable	700,104	7,246,922	1,532,849	m	(1,218,945)	8,260,930
Deferred gain on sale of equipment	-	263,449	-			263,449
Deferred rent	-	106,400	-			106,400
Total Liabilities	**1,471,239**	**26,545,067**	**29,409,364**		**9,984,677**	**67,410,347**
Shareholders' Equity						
Share capital	8,843,620	14,899,726	10,000	e	57,069	76,944,333
				h	45,655,151	
				h	(3,195,861)	
				j	(8,843,620)	
				j(i)	7,791,307	
				p	11,726,940	
Conversion component of convertible debentures	140,589	-	-		(140,589)	-
Contributed surplus	290,438	2,413,249	47,500	j	(290,438)	3,087,554
				j(ii)	626,805	
Reserve for warrants	1,490,394	-	-	j	(1,490,394)	1,834,782
				j(iii)	1,834,782	
Reserve for foreign exchange translation	(141,649)	-	-			(141,649)
Accumulated deficit	(8,251,441)	(15,756,760)	(17,991,822)	a	(330,878)	(42,312,151)
				b	(552,777)	
				c	(968,772)	
				h	(300,000)	
				i	(5,373,366)	
				j	8,393,090	
				k	(570,689)	
				o	(608,735)	
Total Shareholders' Equity	**2,371,951**	**1,556,215**	**(17,934,322)**		**53,419,025**	**39,412,869**
Total Liabilities and Shareholders' Equity	**3,843,190**	**28,101,282**	**11,475,042**		**63,403,702**	**106,823,216**

HARBORSIDE, INC.

Pro Forma Condensed Consolidated Statement of Loss and Comprehensive Loss
For the nine months ended October 31, 2018
(Unaudited)
(Expressed in United States Dollars)

	Lineage Grow Company Ltd.	FLRish, Inc.	Patients Mutual Assistance Collective Corporation	Note 4	Pro Forma Adjustments	Pro Forma Consolidation
	$	$	$		$	$
Revenue						
Services revenue	-	12,498,779	-	n	(12,498,779)	-
Rental revenue	-	3,297,956	-	n	(3,297,956)	-
Retail sales	147,743	-	28,672,759			28,820,502
Wholesale sales	-	-	3,178,408			3,178,408
Total Revenue	**147,743**	**15,796,735**	**31,851,167**		**(15,796,735)**	**31,998,910**
Cost of Goods Sold						
Cost of revenue	-	(5,911,625)	-			(5,911,625)
Retail cost of goods sold	(93,972)	-	(21,150,027)	n	15,796,735	(5,447,264)
Wholesale cost of goods sold	-	-	(11,564,352)			(11,564,352)
Cost of Goods Sold	**(93,972)**	**(5,911,625)**	**(32,714,379)**		**15,796,735**	**(22,923,241)**
Net effect of changes in fair value of biological assets	-	-	1,467,796		-	1,467,796
Gross Profit	**53,771**	**9,885,110**	**604,584**		**-**	**10,543,465**
Expenses						
Management and consulting fees	601,289	-	-			601,289
Professional fees	309,415	1,452,226	682,835			2,444,476
Stock-based compensation	226,822	3,197,464	-			3,424,286
Share-based payments	108,947	-	-			108,947
Office and general	435,662	8,607,751	9,674,896			18,718,309
Depreciation	3,092	453,087	207,211			663,390
Exploration and evaluation expenditures	2,695	-	-			2,695
Total Operating Expenses	**(1,687,922)**	**(13,710,528)**	**(10,564,942)**		**-**	**(25,963,392)**
Loss from Operations	**(1,634,151)**	**(3,825,418)**	**(9,960,358)**		**-**	**(15,419,927)**
Other Expenses and Income						
Interest and other income	6,819	-	-			6,819
Fair value changes in derivative liabilities	103,081	-	-			103,081
Finance cost	(192,735)	(1,046,582)	(205,347)		-	(1,444,664)
Gain on sale of equipment	-	44,425	-			44,425
Other expenses	-	(300,000)	38,307			(261,693)
Total Other Expenses	**(82,835)**	**(1,302,157)**	**(167,040)**		**-**	**(1,552,032)**
Loss before Provision for Income Taxes	**(1,716,986)**	**(5,127,575)**	**(10,127,398)**		**-**	**(16,971,959)**
Provision for income taxes	-	(10,400)	73,652			63,252
Net Loss	**(1,716,986)**	**(5,137,975)**	**(10,053,746)**		**-**	**(16,908,707)**
Other Comprehensive Loss						
Exchange gain on translation of foreign operations	20,275	-	-			20,275
Total Comprehensive Loss	**(1,696,711)**	**(5,137,975)**	**(10,053,746)**		**-**	**(16,888,432)**

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed consolidated financial statements have been prepared by management to reflect the reverse takeover transaction of Lineage Grow Company Ltd. ("Lineage") by FLRish, Inc. ("FLRish") after giving effect to the proposed transaction (the "Transaction") as described in Note 3.

The unaudited pro forma condensed consolidated financial statements have been derived from and should be read in conjunction with the following:

(a) The unaudited condensed interim consolidated financial statements of Lineage as at and for the nine months ended October 31, 2018;
(b) The unaudited interim condensed consolidated financial statements of FLRish as at and for the nine months ended September 30, 2018; and
(c) The unaudited interim condensed consolidated financial statements of Patients Mutual Assistance Collective Corporation ("PMACC") as at and for the nine months ended September 30, 2018.

The functional and presentation currency of Lineage's financial statements prior to the Transaction is the Canadian Dollar ("CAD"). To conform to the functional currency of FLRish and PMACC which is the United States Dollar ("USD"), Lineage's financial statements have been translated to USD as follows:

- Monetary assets and liabilities – at the exchange rate as of October 31, 2018 of USD$1 for CAD$1.3142;
- Shareholders' equity – at the exchange rate on the year-end date of January 31, 2018 of USD$1 for CAD$1.2293;
- Profit and loss for the nine months ended October 31, 2018 – at the average exchange rate for the nine-months period ended October 31, 2018 USD$1 for CAD$1.2944; and
- The balance of the above-noted translations was charged to accumulated other comprehensive loss.

The unaudited pro forma condensed consolidated financial statements have been prepared as if the Transaction had occurred as of October 31, 2018 for the purposes of the unaudited pro forma condensed consolidated statement of financial position, and as of February 1, 2018 for purposes of the unaudited pro forma condensed consolidated statements of loss and comprehensive loss for the nine months ended October 31, 2018. For purposes of the unaudited pro forma condensed consolidated statement of financial position, the numbers have been translated into USD using an exchange rate of USD$1 for CAD$1.3142.

The reverse takeover of Lineage by FLRish is accounted for as a continuation of FLRish's operations in these unaudited pro forma condensed consolidated financial statements. FLRish, whose shareholders will hold approximately 90% of the voting shares of the Resulting Issuer immediately after the Transaction, is treated as the acquirer for accounting purposes following the principles of IFRS 3 – Business Combination ("IFRS 3"). FLRish has determined that Lineage meets the definition of a business under IFRS 3. As a result, FLRish will apply the acquisition method in which it has identified FLRish as the acquirer and as such recognizing and measuring identifiable assets acquired, the liabilities assumed, and recognizing and measuring goodwill.

It is management's opinion that these unaudited pro forma condensed consolidated financial statements present, in all material respects, the Transaction, assumptions and adjustments described in accordance with IFRS. These unaudited pro forma condensed consolidated financial statements are not intended to reflect the financial position or results of operations which would have actually resulted if the events reflected herein had been in effect at the dates indicated. Actual amounts recorded once the Transaction is completed are likely to differ from those recorded in the unaudited pro forma condensed consolidated financial statements. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the Transaction have been excluded from the unaudited pro forma condensed consolidated financial statements. Further, these unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the financial position or results of operation that may be obtained in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma condensed consolidated financial statements have been compiled using accounting policies in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as set out in the audited consolidated financial statements of FLRish and PMACC for the year ended December 31, 2017, and the audited consolidated financial statements of Lineage for the year ended January 31, 2018, unless otherwise indicated.

In preparing the unaudited pro forma condensed consolidated financial information, consideration was given to identify accounting policy differences between Lineage, FLRish and PMACC where the impact was potentially material and could be reasonably estimated. Accounting policy differences may be identified after consummation and integration of the proposed Transaction. However, the significant accounting policies of Lineage, after giving effect to the pro forma adjustments, are believed to conform in all material respects to those of FLRish and PMACC.

3. DESCRIPTION OF THE TRANSACTION

On February 8, 2019, Lineage, FLRish and Lineage Merger Sub Inc., a wholly-owned subsidiary of Lineage ("Merger Sub"), entered into a merger agreement (the "Merger Agreement"), whereby FLRish will merge with Merger Sub to become a wholly-owned subsidiary of Lineage (the "Transaction").

Pursuant to the Merger Agreement, Lineage will complete a consolidation of its common shares at a pre-determined ratio (refer to Note 4(j)), create subordinate voting shares ("Subordinate Voting Shares") and multiple voting shares ("Multiple Voting Shares"), and reclassify its common shares on a post-consolidation basis as Subordinate Voting Shares. FLRish and Merger Sub will then merge, and Lineage will acquire all of the issued and outstanding shares of FLRish in exchange for post-consolidation shares of Lineage. All convertible securities of FLRish will be exchanged for equivalent securities of Lineage which will, automatically and without any required action on the part of any holder or beneficiary thereof, entitle the holders to acquire securities of Lineage in lieu of securities of FLRish based on the same terms and subject to the same conditions as the existing convertible securities.

At the close of the Transaction, (i) each share of FLRish Series A Common Stock shall be exchanged with 1/100 of a Multiple Voting Share, (ii) each share of FLRish Series B Common Stock shall be shall be exchanged with 1/100 Multiple Voting Share, (iii) each share of FLRish Series C Common Stock shall be exchanged with 1/100 of a Multiple Voting Share; (iv) each share of FLRish Series D Common Stock (being the SR Shares (as defined below)) shall be exchanged with 1 Subordinate Voting Share; and (v) each share held by a dissenting shareholder shall be converted into the right to receive payment from the Issuer resulting from the Transaction (the "Resulting Issuer") with respect thereto in accordance with the provisions of the California Corporations Code.

Upon completion of the Merger, it is expected that Lineage will change its name to Harborside Inc.

4. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma condensed financial statements incorporate pro forma adjustments and assumptions to give effect to the Transaction as follows:

(a) On October 30, 2018, FLRish raised gross proceeds of approximately USD$4,726,830 (CAD$6,212,000) via Tranche 1 of a private placement offering (the "Offering") of its Series B unsecured 10% convertible debentures (the "Debentures") at a price of CAD$1,000 per Unit. Each Unit is comprised of $1,000 principal amount of Debenture, and 87 share purchase warrants ("Warrants"). Each Debenture is convertible into shares of FLRish Series B Common Stock ("Common Shares") at any time at the option of the holder and automatically upon completion of the Going Public Transaction at the lower of: a) CAD$6.90; or b) at a 10% discount to the share price at listing for a financing equal to $5,000,000 or greater. Each Warrant is exercisable at CAD$8.60 for 24 months after closing. The accounting for the Warrants issued has not been reflected in the pro forma adjustments as it is under evaluation for the Transaction. Commissions in connection with the Tranche 1 Offering were approximately USD$330,878 (CAD$434,840).

(b) On November 16, 2018, FLRish raised gross proceeds of approximately USD$7,896,819 (CAD$10,378,000) through closing of Tranche 2 of the Offering. The accounting for the Warrants has not been reflected in the pro forma adjustments as it is under evaluation for the Transaction. Commissions in connection with the Tranche 2 Offering were approximately USD$552,777 (CAD$726,460).

(c) On November 16, 2018, FLRish raised gross proceeds of approximately USD$13,839,598 (CAD$18,188,000). The accounting for the Warrants has not been reflected in the pro forma adjustment as it is under evaluation for the Transaction.

(d) On November 16, 2018, FLRish issued a promissory note to Lineage in the principal amount of approximately USD$1,521,838 (CAD$2,000,000) as a bridge loan (the "Bridge Loan"), which is unsecured and bears interest at 12% per annum. The Bridge Loan is repayable at the earlier of a) November 16, 2019, or b) if the proposed Transaction 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 its Pipeline Transactions. The balances are eliminated on consolidation.

(e) On January 25, 2019, Lineage issued to 454,545 common shares to Nutritional High International Inc. ("NHII"), to satisfy in full a debt obligation owed to NHII in the aggregate amount of approximately USD$57,069 (CAD$75,000) pursuant to a Put Option Agreement previously entered into by the parties.

(f) On February 6, 2019, FLRish issued an aggregate of 750,288 Warrants and CAD$8,624,000 principal amount of Debentures to CFP Fund I, LLC ("CFP") in settlement of certain debts. The Debentures issued to CFP are governed by a debenture indenture dated as of February 6, 2019.

(g) On February 6, 2019, FLRish raised gross proceeds of approximately USD$1,864,252 (CAD$2,450,000) through closing of Tranche 3 of the Offering. The accounting for the Warrants has not been reflected in the pro forma adjustments as it is under evaluation for the Transaction.

(h) Prior to completion of the Transaction, FLRish intends to complete a private placement offering (the "Concurrent Offering") of subscription receipts ("Subscription Receipts") for gross proceeds of up to CAD$70 million, with a 15% overallotment option. Each Subscription Receipt will entitle the holder to receive, automatically and with no further action on the part of the holder upon the satisfaction of certain conditions, one unit of FLRish (an "SR Unit") at an anticipated price of approximately C$7.75 per SR Unit (the "Concurrent Financing Price") with each SR Unit consisting of (i) one share of FLRish Series D Common Stock and (ii) one-half of a FLRish warrant at a per share exercise price in excess of the Concurrent Financing Price (the "Concurrent Financing Warrants"), subject to adjustment in certain customary circumstances, for a period of up to 24 months from the date the Concurrent Financing Warrants are issued, subject to acceleration in the event that the volume weighed average trading price of subordinated voting shares of the Resulting Issuer exceeds $14.50 . FLRish may agree to modify the terms of the Concurrent Financing in its sole discretion subject to certain conditions. For the purpose of the pro forma condensed consolidated financial statements, the Concurrent Financing is assumed to be subscribed for the minimum proceeds of USD$45,655,151 (CAD$60,000,000). Commissions and legal fees in connection with the Subscription Receipt Offering will be approximately USD$3,195,861 (CAD$4,200,000) and USD$300,000, respectively.

(i) Prior to closing of the Transaction, Lineage will declare and pay a stock dividend in an aggregate of 44,775,040 Lineage Series A Special Shares to holders of Lineage Common Shares. The dividends payable is valued at approximately USD$5,373,366 (CAD$7,061,678), based on Lineage's most recently completed financing.

(j) To record the Transaction, the Transaction is assumed to constitute a business combination whereby FLRish acquires Lineage. The assets acquired and liabilities assumed are to be recorded at their estimated fair market values, which are based on preliminary management estimates and are subject to valuation adjustments.

    i. The estimated fair value of the common shares issued to Lineage shareholders as consideration is based on the anticipated Concurrent Financing Price of USD$5.90 (CAD$7.75). Prior to the Transaction completion, Lineage is expected to complete a share consolidation of its common shares on a 1 for 41.818181812 basis.

ii. The estimated fair value of the options issued to Lineage option holders as consideration are based on the Black-Scholes option pricing model with the following assumptions: anticipated Concurrent Financing Price – USD$5.90 (CAD$7.75), expected dividend yield – 0%, expected volatility – 125%, risk-free interest rate – 2.34 to 2.42%, and an expected life of 3.12 to 4.57 years. In making the assumptions for expected volatility, industry average was used as historical data was not available for FLRish's stock price.

iii. The estimated fair value of the warrants issued to Lineage warrant holders as consideration are based on the Black-Scholes option pricing model with the following assumptions: anticipated Concurrent Financing Price – USD$5.90 (CAD$7.75), expected dividend yield – 0%, expected volatility – 125%, risk-free interest rate – 1.60 to 2.14%, and an expected life of 0.05 to 1.30 years. In making the assumptions for expected volatility, industry average was used as historical data was not available for FLRish's stock.

(k) Advisory fees of approximately USD$570,689 (CAD$750,000) will be paid upon completion of the Transaction.

(l) On completion of the Transaction, FLRish's accounts receivable balance of USD$17,275,402 owed by PMACC is eliminated on consolidation.

(m) On completion of the Transaction, FLRish's note receivable balance of USD$1,218,945 owed by PMACC is eliminated on consolidation.

(n) On completion of the Transaction, intercompany transactions between FLRish and PMACC in relation to their management service and lease agreements, are eliminated on consolidation.

(o) Legal fees related to the Transaction are estimated to be approximately USD$608,735 (CAD$800,000).

(p) The IASB has issued authoritative guidance whereby instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The conversion prices of FLRish's Series A Preferred Stock were not a fixed amount because they were either subject to an adjustment based on the occurrence of future offerings or events or they were variable. Since the number of shares is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to settle the conversion option. In accordance with the IFRS authoritative guidance, the conversion features have been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations. As of September 30, 2018, the derivative liabilities were valued using the Monte Carlo model. However, upon the closing of the Transaction, all shares of Series A Preferred will convert on a 1:1 basis into shares of FLRish's Series B Common Stock which do not have any conversion features giving rise to derivative liability treatment. Therefore, on consolidation, this derivative liability is eliminated.

SCHEDULE “E”
MD&A OF LINEAGE

LINEAGE GROW
COMPANY LTD.

(formerly Lakeside Minerals Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JANUARY 31, 2018

May 29, 2018

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

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

Description of Business

Lineage is involved in developing cannabis cultivation facilities, manufacture and distribute cannabis, and assist state-licensed operators engaged in the cultivation, manufacturing and distribution of cannabis in states throughout the US where medical and/or adult use of cannabis is legal under state law. The Company was previously engaged in the acquisition, exploration and development of mineral resource properties in Canada. On July 25, 2017, the Company through an Article of Amendment, changed its name to Lineage Grow Company Ltd. to reflect the change of business to focus in the cannabis industry in the US.

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

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

Recent Developments

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

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

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

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

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

On December 13, 2017, the Company signed a Letter of Intent ("LOI") to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland operating under the "Terpene Station" brand name (the "Terpene Station Acquisition"). The purchase price is in the amount of USD $1,200,000, of which USD $800,000 will be payable in cash upon closing, and USD $400,000 in promissory note payable 24 months after closing, at 10% simple interest per annum (see Proposed Transactions for details).

On December 21, 2017, the Company entered into a LOI to form a strategic partnership with Mt. Baker Greeneries, LLC ("Mt. Baker") (the "Washington Agreement"). Mt. Baker currently operates a cannabis cultivation and extraction facility located in Bellingham, Washington and holds a Tier 2 Producer Processor license issued by the Washington Liquor and Cannabis Board.

On January 22, 2018, the Company and NHII entered into an amended and restated LOI, restating the LOI entered on February 22, 2017 as amended on June 29, 2017, setting forth the Proposed Transactions that Lineage wishes to undertake in the US with the assistance of NHII to develop its marijuana related operations (see Proposed Transactions for details).

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

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

On March 6, 2018, the Company entered into a binding LOI to acquire a 100% interest in Altai Partners LLC ("Altai"), a limited liability company operating out of California (the "Altai Acquisition"). Altai is to acquire a minimum of 45% ownership interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary ("LUX"), a licensed dispensary operating in San Jose. Altai currently has an agreement in place for a 45% interest in LUX. On April 3, 2018, Altai has entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX (see Proposed Transactions for details).

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

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

Financing Developments

Convertible Debentures

On May 12, 2017, the Company closed a brokered private placement offering of Convertible Debentures (the "Convertible Debentures") of 2,500 units for gross proceeds of $2,500,000. The offering is in accordance with the proposed transaction with NHII regarding the building of cannabis cultivation facilities in Nevada and Colorado. The issue price of each unit was $1,000 and consisted of (i) $1,000 principal amount of 12.0% convertible secured redeemable debentures; and (ii) 4,000 warrants, exercisable into common shares in the capital of the Company at a price of $0.325 for a period of 24 months.

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

On May 12, 2017, the Company issued 600,000 common shares at a price of $0.25 per common share, to satisfy the first semi-annual interest payment for the Convertible Debentures. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time.

On November 12, 2017, the Company issued another 600,000 common shares at a price of $0.25 per common share, to satisfy the second semi-annual interest payment for the Convertible Debentures. These common shares were valued at $21,000 based on the Company's most recently completed financing at the time

On May 24, 2018, the Company issued 336,000 common shares at a price of $0.20 per common share, to satisfy the third semi-annual interest payment for the Convertible Debentures.

<u>Restated Escrow Agreement</u>

On closing of the Convertible Debentures offering, the Company placed the proceeds in escrow to be released upon the satisfaction of certain conditions. On February 1, 2018, with the consent of the debenture holders, the Company entered into an Amended and Restated Escrow Agreement to revise the conditions to release escrowed funds are as follows:

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

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

(iii) Closing of the Company's proposed Terpene Station Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc.;

(iv) Registration of a UCC general security agreement over the assets of the Company in the State of Washington, including all equipment leased by the Company to Mt. Baker, and registration of a second secured position over assets acquired in the Terpene Station Acquisition; and

(v) Completion of an Equity Financing.

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

Effective February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of the concurrent financing within nine months of issuance of the Convertible Debentures at a price of $0.25, the conversion price of the Convertible Debentures was amended from $0.25 to $0.20. In addition, the exercise price of the common share purchase warrants issued was also subsequently amended from $0.325 to $0.25, effective February 26, 2018.

Private Placement Financing

On January 24, 2018, the Company closed its first tranche ("Tranche 1") of a brokered private placement financing, consisting of 4,740,000 units at a price of $0.25 per Unit, for gross proceeds of $1,185,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.325 per common share for a period of 24 months after the closing date. In conjunction with the private placement, the Company paid finders' fee of $94,800 and issued 379,200 finders' warrants.

On February 20, 2018, the Company announced the closing of the final tranches of the brokered private placement financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of $1,847,416 as follows:

- 3,442,065 units issued in the second tranche on February 8, 2018;
- 3,047,600 units issued in the third tranche on February 14, 2018, and
- 900,000 units issued in the fourth and final tranche on February 16, 2018.

In connection with the final three tranches, the Company also paid finders' fees totaling $99,700, and issued a total of 778,000 finder options.

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

Other Financing Activities

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

On November 10, 2017, the Company announced a term extension of the share purchase warrants previously issued pursuant to private placements on November 16, 2016 and December 9, 2016, as well as a debt settlement on December 12, 2016. The expiry date of all unexercised warrants was extended for a further 12-month period, to November 16, 2018, December 9, 2018 and December 12, 2018, respectively. This extension is subject to an 8-month legend for resale of the shares beginning on the original expiry date.

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

On March 7, 2018, the Company issued 175,000 common shares as a result of the exercise of 175,000 warrants for total cash proceeds of $17,500. All issued shares are fully paid.

On May 17, 2018, the Company issued 85,000 common shares as a result of the exercise of 85,000 options for total cash proceeds of $8,500. All issued shares are fully paid.

On May 24, 2018, the Company granted 1,875,000 stock options to officers and directors of the Company. The options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/6 of the options vested immediately on grant, with an additional 1/6 vesting every 6 months until fully vested. The Company also granted 800,000 stock options to various consultants. These options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/4 of the options vested immediately on grant, with an additional 1/4 vesting every subsequent until fully vested.

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

Outlook and Growth Strategy

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

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

State of Washington – Strategic Washington Partnership

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

State of Oregon – Terpene Station Acquisition

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

State of California – Altai Acquisition

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

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

State of Maryland – Herbiculture Transaction

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

The Herbiculture Transaction provides Lineage with access into a market with high barriers to entry and an expanding medical marijuana patient community. Upon closing, the Company will enter into an agreement with Herbiculture and its shareholders for Lineage to be granted a right of refusal to purchase 35% of securities offered by Herbiculture and a "tag-along" right in case the majority shareholders of Herbiculture sell their stake. The strategic investment is expected to create value to the Company, as the licensed dispensary is achieving sales and fits in with Lineage's near-term growth initiatives.

Regulatory Overview

US Federal Law

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

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

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

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

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

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

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

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

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

Canadian Companies with U.S. Marijuana-Related Assets

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

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

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

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

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

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

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

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

Exploration Highlights

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

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

Launay Property

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

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

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

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

Overall Performance

Selected Annual Information

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

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

Selected Quarterly Financial Results

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

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

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

Financial Results for the Three Months ended January 31, 2018

Results of Operations

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

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

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

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

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

Cash Flows

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

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

Financial Results for the Year ended January 31, 2018

Results of Operations

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

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

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

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

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

Cash Flows

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

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

Working Capital and Liquidity Outlook

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

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

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

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

Related Party Transactions and Key Management Compensation

Key management and personnel compensation

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

On October 15, 2010, the Company and FMICA entered into a financial advisory and consulting agreement, subsequently amended on June 5, 2017. Peter Bilodeau is also the President of FMICA. FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras is a director and whereas his minor children hold an indirect interest. For the year ended January 31, 2018, the Company was charged $159,000 (2017 – $24,000) for consulting services provided by FMICA. As at January 31, 2018, an amount of $87,033 (January 31, 2017 – $nil) owing to FMICA was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended January 31, 2018, the Company recorded consulting fees of $64,000 (2017 – $nil), included in management, consulting fees and salaries, for services rendered by the former CEO to the Company. As at January 31, 2018, $80,825 (January 31, 2017 – $nil) owing to the former CEO was included in accounts payable and accrued liabilities.

On March 1, 2014, the Company and Branson Corporate Services Inc. ("Branson") entered into a management services agreement, providing for Chief Financial Officer services to the Company, as well as other accounting and administrative services. Branson is an entity in which FFHC owns 49% of the shares. In consideration for the services provided, the Company agreed to pay a monthly fee of $5,000. Effective September 1, 2017, the fees were amended so that the monthly fee was increased to $8,000, whereas $5,000 was to be paid in cash and $3,000 accrued up to the closing of the January 2018 financing. For the year ended January 31, 2018, the Company was charged $87,950 (2017 – $45,000) for services provided by Branson. As at January 31, 2018, an amount of $15,000 (January 31, 2017 – $nil) owing to Branson was included in accounts payable and accrued liabilities.

During the year ended January 31, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras is also a partner, provided $152,189 (2017 – $64,508) of legal services to the Company, which are included in professional fees. As at January 31, 2018, an amount of $124,954 (January 31, 2017 – $72,094) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Agreements with related parties

On January 24, 2018, the Company and Foundation Markets Inc. ("FMI") entered into a private placement finder's fee agreement in relation to the January 2018 Offering, as disclosed in Note 8. Peter Bilodeau and Adam Szweras are the President and the Chairman of FMI, respectively. On closing of Tranche 1 of the brokered private placement, FMI was paid a finder's fee of $34,350 and was issued 111,800 finders' warrants exercisable at $0.25 for a period of 2 years.

Subscriptions by related parties

During the year ended January 31, 2018, directors and officers and Quinsam, a company with common CFO as Lineage, had subscribed for a total of 205 units, for total principal of $205,000 of Convertible Debentures from the May 12, 2017 offering. In conjunction with these offerings, these directors, officers and Quinsam had received a total of 98,400 common shares of the Company, valued at $3,444, for satisfaction of interest payment.

Capital Management

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

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

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

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

As at January 31, 2018, the Company's capital consists of share capital, shares to be issued, conversion component of convertible debentures, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit in the amount of $186,916 (January 31, 2017 – equity of $456,828).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended January 31, 2018 and 2017.

The Company is not subject to externally imposed capital requirements.

Financial Risk Management

Fair value

The carrying amount of cash, trade receivables, and accounts payable and accrued liabilities on the consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks and in trust with the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at year-end is limited to the accounts receivable balance.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at January 31, 2018, the Company had a cash balance of $4,347,368 (January 31, 2017 – $606,695) to settle current liabilities of $664,191 (January 31, 2017 – $165,506).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position at year-end.

Summary of Significant Accounting Policies

Cash

Cash comprises bank balances held in Canadian chartered banks and funds held in trust with the Company's legal counsel which is available on demand.

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value at each reporting date with realized gains and losses recognized through profit or loss. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has not classified any financial assets at FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost at each reporting date using the effective interest ("EI") method as described below. The Company's cash is classified as loan and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EI method. The EI method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EI rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payables and accrued liabilities and convertible debentures are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in net loss. As at January 31, 2018, the Company had not classified any financial liabilities as FVTPL, except for the embedded derivative liabilities.

Fair Value Hierarchy

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

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

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

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EI rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Mineral Properties

Acquisition and exploration costs, net of incidental revenues, are expensed in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the EI method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the EI method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss. Upon expiry, the equity component is transferred to deficit.

The conversion feature and the warrants component which do not meet equity classification, as they contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as embedded derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The effect is that the convertible debentures are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss.

Income Taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

<u>Current tax</u>

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

<u>Deferred tax</u>

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve of the Company's equity. On expiry, the fair value of the warrants is transferred to share capital.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. For the years ended January 31, 2018 and 2017, no potential shares are included in the computation as they are anti-dilutive.

Share-Based Payments

Equity-settled share-based payments to employees (including directors and officers) are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to reserves for share-based payments. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized on the consolidated statement of loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments are transferred to share capital. Upon expiry, the recorded fair value of the options is transferred to share capital.

Decommissioning and Restoration Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at January 31, 2018 and 2017, the Company had no decommissioning and restoration obligations as no provision for restoration was necessary.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at January 31, 2018 and 2017, the Company had no material provisions.

Foreign Currency Transactions

<u>Functional and presentation currency</u>

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Lineage and the Canadian subsidiaries is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of all US subsidiaries is the US Dollar ("USD").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

The results and financial position of all the entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate in effect on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to accumulated other comprehensive income (loss). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of loss as part of the gain or loss on sale.

Changes in Accounting Policies

The Company adopted the following standards, effective February 1, 2017. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's consolidated financial statements:

IAS 7 – Statement of Cash Flows ("IAS 7")

IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 – Income Taxes ("IAS 12")

IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the following standards or amendments will have on the Company's consolidated financial statements. No material impact is expected upon the adoption of these new standards on the consolidated financial statements:

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

IFRS 15 proposes to replace IAS 18 – Revenue, IAS 11 – Construction Contracts and some revenue-related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – *Leases* as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

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

IFRIC 22 was issued on December 8, 2016. IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Derivative liabilities

The conversion feature and the warrants component of convertible debentures which contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature of the convertible debentures is required to be measured at fair value at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Commitments and Contingencies

Environmental contingencies

The Company's exploration and evaluation activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Consultant agreements

The Company is party to certain consulting agreements. One of the consulting agreements entered between the Company and a former officer requires that a bonus in the amount of $150,000 be paid upon the Company securing a listing on the Canadian Securities Exchange ("CSE"). As at January 31, 2018, the contingent payment has not been reflected in these consolidated financial statements as the triggering event had not taken place. The payment was made subsequent to year-end.

Proposed Transactions

Nutritional High International Inc.

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

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

(i) NHII will assign to the Company its right to acquire a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health for a payment of USD $500,000;

(ii) The Company will form a joint venture company with NHII for the purposes of acquiring and holding a real property located in Henderson, to be licensed for the operation of a medical marijuana cultivation facility; and

(iii) NHII will lease to the Company, land and a building in Pueblo (the "Pueblo Facility") which qualify for marijuana cultivation. The Company will then sublease the Pueblo Facility to Palo Verde, LLC ("Palo Verde"), a party which has applied to renew a cultivation license in Colorado respecting the Pueblo Facility.

Upon the execution of the formal agreement between the Company and NHII, the Company will issue between 1,000,000 to 3,000,000 common shares to NHII. The Proposed Transaction Agreement may be terminated if certain conditions are not satisfied by June 30, 2017 (the "Drop Dead Date").

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

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

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

(ii) The Proposed Transaction will be structured such that NHII will assist the Company to enter into the Washington Agreement with Mt. Baker. Upon the completion of the Pueblo Joint Venture (as defined below), the Company will issue to NHII, 400,000 common shares at $0.25 per share, as partial consideration for NHII's introduction of Mt. Baker to the Company.

(iii) The Proposed Transaction will also include the Company entering into a joint venture (the "Pueblo JV") with NHII and Palo Verde by entering into a series of agreements with NHII and Palo Verde in connection with the expansion of a marijuana facility located in Pueblo. Upon completion of the Pueblo JV, the Company will issue to NHII, 100,000 common shares at $0.25 per share, as partial consideration for providing consulting services in preparation for entering into the Pueblo JV. The completion date for the proposed Pueblo JV has been scheduled for December 31, 2018.

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

1. Issuance of 1,250,000 common shares of the Company at $0.25 per share;
2. $75,000 cash paid in the form of 5% royalty on all revenue of the Company paid on an installment basis with any balance outstanding by October 16, 2019, to be paid in a lump sum; and
3. Should the Company acquire any dispensary in a state in which NHII's products are sold, the Company shall purchase NHII's products to stock at least 20% of the dispensary's shelf space per product category at a price equal to NHII's best regular whole sale price to NHII's customers in the state, subject to availability of supply.

As at January 31, 2018, the Company had recognized a share liability amount of $254,606 for the common shares to be issued to NHII as partial consideration for NHII's introduction of Mt. Baker, and for entering into the Put Option Agreement. The fair value of these shares has been expensed as share-based payments in the consolidated statements of loss and comprehensive loss. Subsequent to January 31, 2018, the Company issued 1,650,000 common shares to NHII

<u>Put Option Agreement</u>

Pursuant to the Put Option Agreement, the following circumstances would constitute default by the Company under the Convertible Debentures:

(i) Failure of the Company to list its common shares on the CSE by February 28, 2018;

(ii) The Company's common shares trading at a price per share equal to less than 50% of the conversion price of the Convertible Debentures for 60 consecutive trading days after being listed on a stock exchange; or

(iii) Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

Terpene Station

On December 13, 2017, the Company signed a LOI to acquire the assets of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co d/b/a Terpene Station Portland which operate under the "Terpene Station" brand name. Terpene Station is an Oregon-based cannabis retailer involved with the marketing and sale of cannabis flower, edibles and oils. The purchase price of the Terpene Station Acquisition is in the amount of USD $1,200,000, of which USD $800,000 will be payable in cash upon closing, and USD $400,000 payable in secured promissory note, payable 24 months after closing, at 10% simple interest per annum.

Closing of the Acquisition is subject to completion of due diligence, execution of a definitive agreement, and all required regulatory approvals and consents, including the approval of the OLCC for the transfer of the licences.

Mt. Baker

On December 21, 2017, the Company entered into a LOI to form a strategic partnership with Mt. Baker, a Tier 2 licensed cannabis producer processor in the State of Washington.

On January 31, 2018, the Company entered into definitive agreements to implement the Washington Agreement with Mt. Baker. An Equipment Lease Agreement was entered into, whereby the Company agrees to lease cultivation equipment to Mt. Baker. A Licensing and Services Agreement was also entered, whereby Mt. Baker will purchase cultivation supplies, license certain trademarks to place on Mt. Baker's packaged products, and license certain technology from the Company, to cultivate the marijuana crops grown at the Mt. Baker Facility. The Company will also provide services to assist in redesigning Mt. Baker's grow facility, implementing growing methodologies, training of personnel and other advice as requested.

Off-Balance Sheet Arrangements

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

Subsequent Events

Amendments to Convertible Debentures

<u>Restated Escrow Agreement</u>

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

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

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

(iii) Closing of the Company's proposed Terpene Station Acquisition or such other acquisition by the Company with similar or better financial metrics, approved by Foundation Markets Inc.;

(iv) Registration of a UCC general security agreement over the assets of the Company in the State of Washington, including all equipment leased by the Company to Mt. Baker, and registration of a second secured position over assets acquired in the Terpene Station Acquisition; and

(v) Completion of an Equity Financing.

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche of the Concurrent Financing within nine months of issuance of the Convertible Debentures at a price of $0.25 (see Note 8), the conversion price of the Convertible Debentures is reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures. The adjustment to the conversion price was retroactive upon closing of Tranche 1. In addition, the exercise price of the common share purchase warrants issued was also amended from $0.325 to $0.25, effective February 26, 2018.

Private Placement Financing

On February 20, 2018, the Company announced the closing of the final tranches of the Concurrent Financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of $1,847,416 as follows:

- 3,442,065 units issued in the second tranche on February 8, 2018;
- 3,047,600 units issued in the third tranche on February 14, 2018, and
- 900,000 units issued in the fourth and final tranche on February 16, 2018.

Each unit consists of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of $0.325 per common share, exercisable for a 24-month period from the applicable issue date. In connection with the final three tranches, the Company also paid finders' fees totaling $99,700, and issued a total of 778,000 finder options. Each finder option entitles the holder to purchase one unit at a price of $0.25 per unit, exercisable for 24 months from the applicable issue date of the finder options.

Listing on the CSE

On March 5, 2018, the Company's common shares began trading on the CSE under the trading symbol "BUDD".

Altai Partners LLC

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

On April 3, 2018, concurrent to its agreement acquiring a 45% ownership interest in LUX, Altai has entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Upon completion of the Altai Acquisition, Lineage will hold a 100% ownership interest in LUX. Under the terms of the Altai Acquisition, the Company will purchase a 100% interest in Altai in exchange for the following consideration:

(i) $3,450,000 in common shares in the capital of Lineage priced at USD $0.20 per common share, to be issued to the Seller upon closing;

(ii) USD $750,000 to be lent to Altai under a Promissory Note at 12% annual interest, maturing May 31, 2018. This note will become a loan to subsidiary after completion of the Acquisition; and

(iii) Lineage, under its ownership of Altai, will assume USD $1,200,000 in payment obligations towards Altai's purchase of LUX. This obligation includes four cash payments to LUX shareholders of USD $300,000, beginning April 28, 2018 and ending December 30, 2018.

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

Herbiculture Inc.

On April 20, 2018, the Company entered into a LOI with Quinsam to acquire Quinsam's 35% interest in Herbiculture, a medical marijuana dispensary located in the State of Maryland. Pursuant to the LOI, the Company will acquire Quinsam's 35% equity interest in Herbiculture for total consideration of USD $720,000, to be satisfied by the issuance of 3,900,000 common shares of the Company to Quinsam upon closing of the Herbiculture Transaction at a price of USD $0.1846 per share. On closing, the Company will also enter into an agreement with Herbiculture and its shareholders for Lineage to be granted a right of refusal to purchase 35% of securities offered by Herbiculture and a "tag-along" right in case the majority shareholders of Herbiculture sell their stake.

The Herbiculture Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the LOI, receipt of applicable corporate approvals, and other regulatory and/or governmental approval.

Shares, warrants and options transactions

On March 7, 2018, the Company issued 1,650,000 common shares to NHII as partial consideration for its introduction of Mt. Baker, and for entering into the Put Option Agreement.

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

On March 7, 2018, 175,000 common shares were issued as a result of the exercise of 175,000 warrants for total cash proceeds of $17,500. All issued shares are fully paid.

On May 17, 2018, 85,000 common shares were issued as a result of the exercise of 85,000 options for total cash proceeds of $8,500. All issued shares are fully paid.

On May 24, 2018, the Company granted 1,875,000 stock options to officers and directors of the Company. The options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/6 of the options vested immediately on grant, with an additional 1/6 vesting every 6 months until fully vested. The Company also granted 800,000 stock options to various consultants. These options are exercisable for $0.25 per share and will expire on May 24, 2023. 1/4 of the options vested immediately on grant, with an additional 1/4 vesting every subsequent until fully vested.

Convertible Debentures

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

On May 24, 2018, the Company issued 336,000 common shares at a price of $0.20 per common share, to satisfy the third semi-annual interest payment for the Convertible Debentures.

Disclosure of Outstanding Share Data as of May 29, 2018

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

Risk Factors

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

Limited operating history in its new area of business

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

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

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

Additional financing

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

Volatile global financial and economic conditions

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

Reliance on securing agreements with Licensed Producers

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

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

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

Regulation

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

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

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

U.S. Federal Laws

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

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

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

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

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

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

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

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

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

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

Taxes

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

Illegal drug dealer could pose threats

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

Reliance on management

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

Risks associated with increasing competition

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

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

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

Factors which may prevent realization of growth targets

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

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

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

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

Product liability

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

Product recalls

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

Dependence on suppliers and skilled labour

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

Operating risk and insurance coverage

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

Uninsurable risks

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

Management of growth

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

Dividends

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

Foreign currency exchange rates

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

Limited market for securities

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

Environmental and employee health and safety regulations

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

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

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

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

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

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

Internal Control over Financial Reporting

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

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

Evaluation of Disclosure Controls and Procedures

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

Cautionary Note Regarding Forward Looking Statements

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

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

Management's Responsibility for Financial Information

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

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

May 29, 2018

Peter Bilodeau
Chief Executive Officer

LINEAGE GROW
COMPANY LTD.

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 October 31, 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

<u>Terpene Station</u>

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.

<u>Altai Partners</u>

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.

<u>Put Option Agreement</u>

Pursuant to the Put Option Agreement, the following triggering events would constitute default by the Company under the Convertible Debentures:

(i) Failure of the Company to list its common shares on the CSE by February 28, 2018;

(ii) The Company's common shares trading at a price per share equal to less than 50% of the conversion price of the Convertible Debentures for 60 consecutive trading days after being listed on a stock exchange; or

(iii) Failure by the Company to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

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

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

SCHEDULE “F”
MD&A OF FLRISH

FLRISH, INC AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION & ANALYSIS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Dated April 30, 2019

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of FLRish, Inc. ("FLRish") and its wholly owned subsidiaries (together with FLRish, collectively, the "Company") has been prepared by management of the Company and is supplemental to, and should be read in conjunction with, the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. In preparing this MD&A, management of the Company has taken into account information available up to April 30, 2019, unless otherwise stated.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.

This MD&A has been prepared in accordance to the MD&A disclosure requirements established under National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward looking information and statements. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Statements" and "Item 17 – Risk Factors" in the Listing Statement of Lineage Grow Company Ltd. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

The MD&A was prepared and approved by management of the Company on April 30, 2019.

OVERVIEW OF THE COMPANY

FLRish was incorporated on November 24, 2015, under the California Corporations Code in the United States of America. The Company includes FLRish and the following subsidiaries of FLRish:

Entity	Place of incorporation	Effective ownership
FLRish IP, LLC	California	100%
FLRish Retail, LLC	California	100%
FLRish Retail Management & Security Services, LLC	California	100%
FLRish Retail Affiliates, LLC	California	100%
FLRish Farms, Inc.	California	100%
FLRish Farms, LLC	California	100%
Savature, LLC	California	68.5%
Savaca, LLC	California	68.5%
FFC1, LLC	California	68.5%
FLRish Farms Cultivation 8, LLC	California	68.5%

The Company provides real estate rental, advisory and administrative services as well as services related to the processing, retailing and dispensing of cannabis, cannabis infused products ("CIPS"), related products, and educational materials connected with the operation of cannabis businesses located in the State of California. The Company only engages with those clients who are properly licensed and in good standing with State and local law.

Operating Divisions

The Company operates in one operating segment, management services, and has consolidated financial statements across its operating businesses. For the purpose of analysis, FLRish considers two operating divisions:

Retail – provides management services to cannabis retail dispensaries to optimize Marketing, Operations, Compliance, Human Resources, Finance and IT

Wholesale – provides management services to cultivate, manufacture, sell and distribute packaged cannabis products from our cultivation facility (the "Farm") on behalf of our client dispensaries, who utilize our infrastructure to transform raw cannabis flower into consumer-packaged goods. FLRish enables its dispensary clients to gain leverage from being vertically integrated, and control the production supply chain, from seed to sale

The Company has options to merge and consolidate three retail dispensary businesses in Northern California and expects to secure additional California retail businesses in 2019. If FLRish exercises its options, the Wholesale and Retail operations will evolve from a services business to a products business, in which the Company will cultivate, manufacture, sell and distribute packaged cannabis products to third-party retailers and distributors, and from direct sales to end consumers in its retail stores.

Operational Drivers

Revenue is derived from long term contracts and lease agreements for our Wholesale business and through long term management service agreements for our Retail business.

Gross profit is revenue less cost of revenue. Cost of revenue are the costs directly attributable to the services we provide our clients and includes amounts paid for contract labor, production materials, utilities and infrastructure costs. Cannabis related costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Operating expenses (other than the cost of revenue) consist of general and administrative costs to support customer relationships, marketing and branding activities, and the corporate infrastructure required to sustain the ongoing business. General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, and benefits. Operating expenses also include professional fees and share-based compensation costs. The Company expects such costs to increase to support aggressive expansion plans and navigate the increasing complexity of the cannabis industry. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in share-based compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes FLRish is subject to income taxes in the jurisdictions for which the Company operates and, consequently, income tax expense is a function of the allocation of taxable income by a jurisdiction and the various activities that impact the timing of taxable events. Companies operating in the US cannabis industry are subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016. The selected consolidated financial information set out below may not be indicative of the Company's future performance:

Selected Financial Information	Year Ended December 31, 2017	2016
a) Total Revenue, net of discounts	$ 14,682,010	$ 6,061,341
Services - Retail	*7,512,536*	*3,738,642*
Services - Wholesale	*5,082,653*	*2,065,363*
Rental Revenue - Wholesale	*2,086,822*	*257,336*
b) Cost of Revenue	4,124,561	1,409,097
c) Gross Profit	10,557,449	4,652,244
d) Operating Expenses	15,279,638	7,796,010
Income (loss) from Operations	**$ (4,722,189)**	**$ (3,143,766)**
e) Other Income (Expense)	$ (1,221,010)	$ (531,965)
f) Provision of Income Taxes	$ 10,400	$ 11,200
Current Assets	$ 11,282,355	$ 6,926,793
Total Assets	$ 20,597,134	$ 17,311,136
Total Liabilities	$ 21,403,590	$ 11,759,131

a) Revenue

Revenue for the fiscal year ended December 31, 2017 was $14,682,010 up 142% from $6,061,341 for fiscal year ending December 31, 2016.

Retail services revenue for the fiscal year ended December 31, 2017 was $7,512,536, up $3,773,894 or 101% from fiscal year ended December 31, 2016. The Company's Retail business started in July 2016, with 2017 representing the first full year of operations. The Company earns retail services revenue through its subsidiary, FLRish Retail Management & Security Services, LLC, from contractual relationships with client dispensaries to provide management services for licensed cannabis retailers. In 2016 and 2017 all retail management services revenue was generated from one related party, PMACC.

Wholesale services and rental revenue for the fiscal year ended December 31, 2017 was $7,169,475, up $4,846,776 from fiscal year ended December 31, 2016. The Company's Wholesale business started in September 2016, with 2017 representing the first full year of operations. The Company earns wholesale services revenue from contractual relationships with client dispensaries for providing management services and infrastructure leases. Wholesale management services revenue were $5,082,653 in 2017, up

$3,017,290 or 146% from 2016 on services performed for PMACC, to expand their cultivation operations. Wholesale rental revenue was $2,086,822 in 2017, up $1,829,486 from 2016. The increase in rental revenue is attributed a full year of revenue earned to the lease agreement established with PMACC in 2016.

b) Cost of Revenue

Cost of revenue are costs directly attributable the services the Company provides its clients and includes amounts paid for contract labor, production materials, utilities and infrastructure. For the year ended December 31, 2017 cost of contract services were $4,124,561, up $2,715,464 or 193% compared to year ended December 31, 2016. Cost increases are primarily attributed to the expansion of our cultivation management operation.

c) Gross Profit

Gross profit for the year ended December 31, 2017 was $10,557,449 representing a gross margin on management services of 72%, compared to gross profit for the year ended December 31, 2016 of $4,652,244 or a 77% gross margin. The 4% decline in gross margin is primarily attributed to the cost of cultivation services, for labor, utilities and infrastructure which increased to support our growing business.

d) Operating Expenses

Operating expenses for the year ended December 31, 2017 were $15,279,639, up $7,483,629 or 96% from the prior year. Operating expense increases in 2017 are attributable to expansion related costs of $3,846,055 and an impairment loss of $3,637,574.

Expansion related costs – In 2017 to support our growth, employee related costs increased $2,191,996 with headcount additions to support the Company's expansion. Licensing and fees increased $1,185,449 in 2017 for licensing, permitting and financing related costs incurred to get the Farm operational, and consulting and contractor costs increased $425,589, and other operating expenses, including travel, increased $43,021 in 2017 to sustain our wholesale business.

Impairment loss – in 2017 the Company recorded an impairment loss of $3,637,574 for the Cannery. The Company started investing in the Cannery in 2015, with $3,582,384 of the impairment related to investments made prior to 2017. In early 2017 the Company determined the Cannery project was no longer economically viable, and on May 2, 2017 the Company and 5733 San Leandro, LP, the landlord, entered into a lease termination agreement that waived any further rights against the Company in exchange for a mutual waiver and the forfeiting of any deposits.

e) Other Expense

Other expenses for the year ended December 31, 2017 totaled $1,221,010, compared to $531,965 of other expenses in 2016. Interest expense increased from $531,965 in 2016 to $1,267,867 in 2017. The increase in interest expense is primarily related to the term loan agreement, which the Company entered into in July 2017. Additionally, in 2017 the Company had litigation settlement expenses of approximately $360,000

which were offset by a net gain on the sale of investment of $334,186 and a gain on sale of equipment $73,664.
Gain on Sale of Investment - In December 2017, the Company sold its interest in a cannabis license located in San Leandro, California to PMACC for $3,000,000 and recorded a $2,500,000 gain on the sale. In conjunction with this sale, the Company entered into a $3,000,000 note receivable with PMACC at below market interest. This note was discounted based on an annual interest rate of 12% and the Company recorded a discount in the amount of $2,165,814. Thus the gain on this sale, net of the note discount was $338,698 in 2017 (see Note 10 of the notes to the consolidated financial statements for more information).

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the year ended December 31, 2017, the Company's income tax provision totaled $10,400 compared to $11,200 for the year ended December 31, 2016.

Loss from Operations

Net loss from operations before other income (expense), provision for income taxes and non-controlling interest for the year ended December 31, 2017 was $4,722,189, an increase of $1,578,423 from year ended December 31, 2016.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, adjusted EBITDA was ($4,377,667) and $(2,936,917) for the years ended December 31, 2017 and 2016, respectively.

Current Assets

Current assets increase from December 31, 2016 to December 31, 2017 was mainly attributable to an increase in accounts receivable due to revenue growth.

Total Liabilities

The increase in total liabilities is attributable to increased accounts payable and notes payable and accrued interest.

Non-IFRS Measures

The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financials measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Non-IFRS Measures	**Year Ended December 31, 2017**	**2016**
Net Loss (IFRS)	**$ (5,953,599)**	**$ (3,686,931)**
Interest expense	$ 1,267,867	$ 531,965
Provision for Income Taxes	$ 10,400	$ 11,200
Depreciation and amortization	$ 250,283	$ 69,099
Employee equity grants, non-cash	$ 94,239	$ 137,750
EBITDA (non-IFRS measure)	**$ (4,330,810)**	**$ (2,936,917)**
Nonrecurring Income (Expense)	$ (46,857)	$ -
Adjusted EBITDA (non-IFRS measure)	**$ (4,377,667)**	**$ (2,936,917)**

Non-GAAP Measures

This MD&A references certain measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. Management believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in this report.

While management believes that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

The non-GAAP measures presented in this MD&A are as follows: (i) "EBITDA", which refers to operating income (loss) plus interest expense, provision for income taxes, depreciation and amortization, and employee equity grants (non-cash) and (11) "Adjusted EBITDA", which refers to EBITDA plus impairment loss and non-recurring (income) expense.

LIQUIDITY & CAPITAL RESOURCES

Overview

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by operating activities. We also use private and/or public financing as a source of liquidity for short-term working capital needs and general corporate purposes. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As of December 31, 2017, the Company had $1,490,612 of cash and a working capital deficit (current assets minus current liabilities) of $5,909,535, compared with $4,334,348 of cash and cash equivalents and a working capital surplus of $5,037,323 as of December 31, 2016. The increase of $10,946,858 in our working capital deficit was primarily due to $12,007,388 of convertible notes and accrued interest that became current in 2017. All of these notes converted to equity in 2018, with the close of our $6,500,000 Series A financing. Excluding these converted notes, the Company's current liabilities as of December 31, 2017 were $5,184,502 with a working capital surplus of $6,097,853.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months from the date of this MD&A.

Cash Flows

Cash Used in Operating Activities – Net cash used in operating activities was $5,841,679 for the year ended December 31, 2017, a decrease of $1,606,022, or -38%, compared to $4,235,657 of net cash used in operating activities for the year ended December 31, 2016. The decrease in net cash used in operating activities was primarily due to an increase of adjusted net income of $1,617,610, and an increase in accounts payable and other working capital of $2,277,356, offset by an increase in related party working capital deficit (accounts receivable and accounts payable) of $5,574,652.

Cash Used in Investing Activities – Net cash used in investing activities was $2,206,923 for the year ended December 31, 2017, a decrease of $6,864,046, or 76%, compared to $9,070,969 for the year ended December 31, 2016. The decrease in net cash used in investing activities was primarily due to $8,772,530 of proceeds received from the sale and lease back of our Farm, offset by increases in property, plant and equipment purchases of $4,729,241. In 2017, net cash used for investment purchases declined by $1,698,416 and net cash used to fund related party notes declined by $1,125,342, from the prior year.

Cash From Financing Activities – Net cash provided from financing activities was $5,204,866 for the year ended December 31, 2017, a decrease of $10,558,062, or 67%, compared to $15,762,928 for the year ended

December 31, 2016. The decrease in net cash provided by financing activities is primarily attributable to a $10,000,000 decrease in proceeds received from our minority partner who made an investment into our Farm in 2016, a $600,000 distribution payment made to our minority partner in 2017, and a $3,880,000 decrease in proceeds received from issuing convertible notes, offset by $3,821,089 of proceeds received from our Farm term loan and $100,850 of proceeds from the exercise of stock options.

Off-Balance Sheet Arrangements

As at the date of this filing, 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, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

During 2017 and 2016, the Company provided contract management services to and leased land and buildings to PMACC (Notes 11 and 12). The Company and PMACC share key management personnel. For the years ended December 31, 2017 and 2016, the Company derived the entirety of its revenue from PMACC.

At December 31, 2017 and 2016, the Company had accounts receivable balance with PMACC in the amount of $9,641,424 and $2,571,645, respectively. The outstanding accounts receivable balances due from PMACC are unsecured and expected to be settled with cash.

During 2016, PMACC paid expenses on behalf of the Company during its startup phase. At December 31, 2016, the Company owed PMACC $538,259. The balance was paid in full in 2017.

In December 2017, the Company sold its interests in a cannabis license located in San Leandro, California to PMACC. The Company recognized a gain on the sale in the amount of $2,500,000 as a result of the transaction entered into a note receivable with PMACC with a principal amount of $3,000,000 at a 2% interest rate. All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company has recorded a discount in the amount of $2,165,814 on the note receivable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At December 31, 2017 and 2016, the note had a net discount of $2,161,302 and $0, respectively. As a result, the net gain on the sale of investment was $334,186.

The Company has two other notes receivables due from PMACC. These notes are due on demand and do not bear interest. At December 31, 2017 and 2016, the balance of these notes receivables was $1,055,074 and $1,090,208.

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

Compensation of key management personnel for the years ended December 31, 2017 and 2016.

	2017	2016
Management compensation	$ 1,611,945	$ 1,424,497
Directors' fees	-	-
Share-based payments	57,986	99,654
	$ 1,669,931	**$ 1,524,151**

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICIES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 – Financial Instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for periods commencing on or after January 1, 2018. Based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company plans to adopt IFRS 15 on the required effective date and based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Allowance for Doubtful Accounts

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. In calculating the share-based compensation expense, management is required to make certain assumptions and estimates such as the expected life of the options, volatility of the Company's common shares, risk free rates, and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Estimated Useful Lives and Depreciation of Property and Equipment and Intangible Assets

Depreciation of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities; and note payables and accrued interest.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Bank Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Capital Structure Risk Management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of stockholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new stock, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2017.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

At December 31, 2017 and 2016, the carrying amount of cash was $1,490,612 and $4,334,348, respectively, accounts receivable was $9,641,424 and $2,571,645, respectively, and notes receivable was $1,893,772 and $1,090,208, respectively, represent the maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables and notes receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company has significant exposure to a single customer, PMACC. The Company has estimated bad debts of $0 and $0 at December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Company's aging of receivables was approximately as follows:

	2017	**2016**
0 - 60 days	$ 7,546,475	$ 2,201,960
61+ days	2,094,948	369,685
	$ 9,641,424	**$ 2,571,645**

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At December 31, 2017 and 2016, the Company had cash of $1,490,612 and $4,334,348, respectively, and working deficit of $5,909,535 and working capital of $5,037,323, respectively.

In addition to the commitments outlined in Note 16, the Company has the following contractual obligations:

	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 4,440,441	$ 4,440,441	$ -	$ -	$ -
Notes payable and accrued interest	14,931,732	11,012,896	18,290	546	3,900,000
Notes payable and accrued interest - related party	1,700,000	1,700,000	-	-	-
	$ 21,072,173	**$ 17,153,337**	**$ 18,290**	**$ 546**	**$ 3,900,000**

FLRISH, INC.

MANAGEMENT’S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Dated April 30, 2019

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of FLRish, Inc. ("FLRish") and its wholly owned subsidiaries (together with FLRish, collectively, the "Company") has been prepared by management of the company and is supplemental to, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2018 and 2017, and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. In preparing this MD&A, management of the Company has taken into account information available up to April 30, 2019, unless otherwise stated.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.

This MD&A has been prepared in accordance to the MD&A disclosure requirements established under National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward looking information and statements. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Statements" and "Item 17 – Risk Factors" in the Listing Statement of Lineage Grow Company Ltd. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

The MD&A was prepared and approved by management of the Company on April 30, 2019.

OVERVIEW OF THE COMPANY

FLRish was incorporated on November 24, 2015, under the California Corporations Code in the United States of America. The Company includes FLRish and the following wholly owned subsidiaries of FLRish:

Entity	Place of incorporation	Effective ownership September 30, 2018	Effective ownership September 30, 2017
FLRish IP, LLC	California	100%	100%
FLRish Retail, LLC	California	100%	100%
FLRish Retail Management & Security Services, LLC	California	100%	100%
FLRish Retail Affiliate, LLC	California	100%	100%
FLRish Flagship Enterprises, Inc. (formerly FLRish Farms, Inc.)	California	100%	100%
FLRish Farms, LLC (merged into Savature, Inc.)	California	100%	100%
Savature, Inc. (formerly Savature, LLC)	California	100%	68.5%
Savaca, LLC	California	100%	68.5%
FFC1, LLC	California	100%	68.5%
FLRish Farms Cultivation 8, LLC	California	100%	68.5%

The Company provides real estate rental, advisory and administrative services as well as services related to the processing, retailing and dispensing of cannabis, cannabis infused products ("CIPS"), related products, and educational materials connected with the operation of cannabis businesses located in the State of California. The Company only engages with those clients who are properly licensed and in good standing with State and local law.

Operating Divisions

The Company operates in one operating segment, management services, and has consolidated financial statements across its operating businesses. For the purpose of analysis, FLRish considers two operating divisions:

Retail – provides management services to cannabis retail dispensaries to optimize Marketing, Operations, Compliance, Human Resources, Finance and IT

Wholesale – provides management services to cultivate, manufacture, sell and distribute packaged cannabis products from our cultivation facility on behalf of our client dispensaries, who utilize our infrastructure to transform raw cannabis flower into consumer-packaged goods. FLRish enables its dispensary clients to gain leverage from being vertically integrated, and control the production supply chain, from seed to sale

The Company has options to merge and consolidate three retail dispensary businesses in Northern California, and expects to secure additional California retail businesses in 2019. If FLRish exercises its options, the Wholesale and Retail operations will evolve from a services business to a products business, in which the Company will cultivate, manufacture, sell and distribute packaged cannabis products to third-party retailers and distributors, and from direct sales to end consumers in its retail stores.

Operational Drivers

Revenue is derived from long term contracts and lease agreements for our Wholesale business and through long term management service agreements for our Retail business.

Gross profit is revenue less cost of revenue. Cost of revenue are the costs directly attributable to the services we provide our clients and includes amounts paid for contract labor, production materials, utilities and infrastructure costs. Cannabis related costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Operating expenses (other than the cost of revenue) consist of general and administrative costs to support customer relationships, marketing and branding activities, and the corporate infrastructure required to sustain the ongoing business. General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, and benefits. Operating expenses also include professional fees and share-based compensation costs. The Company expects such costs to increase to support aggressive expansion plans and navigate the increasing complexity of the cannabis industry. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in share-based compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes FLRish is subject to income taxes in the jurisdictions for which the Company operates and, consequently, income tax expense is a function of the allocation of taxable income by a jurisdiction and the various activities that impact the timing of taxable events. Companies operating in the US cannabis industry are subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017. The selected consolidated financial information set out below may not be indicative of the Company's future performance:

Selected Financial Information	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
a) Total Revenue, net of discounts	$ 5,993,655	$ 4,029,512	$ 15,796,735	$ 10,966,953
Services - Retail	*1,374,553*	*1,806,932*	*4,573,765*	*5,677,947*
Services - Wholesale	*3,519,783*	*1,699,500*	*7,925,014*	*3,725,265*
Rental Revenue - Wholesale	*1,099,319*	*523,081*	*3,297,956*	*1,563,741*
b) Cost of Revenue	2,348,293	1,323,470	5,911,625	2,796,701
c) Gross Profit	3,645,362	2,706,042	9,885,110	8,170,252
d) Operating Expenses	4,400,321	2,947,868	13,710,528	11,865,913
Income (loss) from Operations	**$ (754,959)**	**$ (241,826)**	**$ (3,825,419)**	**$ (3,695,661)**
e) Other Income (Expense)	$ (571,729)	$ (395,095)	$ (1,302,158)	$ (830,515)
f) Provision of Income Taxes	$ -	$ -	$ 10,400	$ 10,400

	September 30, 2018	December 31, 2017
Current Assets	$ 17,903,888	$ 11,282,355
Total Assets	$ 28,101,282	$ 20,597,134
Total Liabilities	$ 26,545,067	$ 21,403,590

Three Months Ended September 30, 2018

a) Revenue

Revenue for the three months ended September 30, 2018 was $5,993,655, a 49% increase from $4,029,512 for the three months ended September 30, 2017.

Retail services revenue for the three months ended September 30, 2018 was $1,374,553, a decline of $432,379 or 24% from the three months ended September 30, 2017. The Company earns retail services revenue through its subsidiary, FLRish Retail Management & Security Services, LLC, from contractual relationships with client dispensaries to provide management services for licensed cannabis retailers. For the three months ended September 30, 2018 and 2017, all retail management services revenue was generated from one related party, PMACC. Our retail management services revenue is derived from and aligned to PMACC sales, which experienced a year over year revenue decline for the three months ending September 30, 2018 due to regulatory changes that negatively impacted PMACC's retail business.

Wholesale services and rental revenue for the three months ended September 30, 2018 was $4,619,102, an increase of $2,396,521 or 108% from the three months ended September 30, 2017. The Company earns wholesale services revenue from contractual relationships with licensed manufacturers and client dispensaries for providing management services and infrastructure leases. Wholesale management services revenue for the three months ended September 30, 2018 and 2017 were $3,519,783 and $1,699,500, respectively. For the three months ended September 30, 2018 and 2017, all wholesale management services revenue was generated from one related party, PMACC. Our wholesale management services revenue is derived from and aligned to PMACC's wholesale production at our Farm, which improved during the three months ended September 30, 2018 with the engagement of a new cultivation team in 2018. Wholesale rental revenue for the three months ended September 30, 2018 and 2017 were $1,099,319 and $523,081, respectively and consistent with the terms of the PMACC lease agreement with the Company.

b) Cost of Revenue

Cost of revenue are costs directly attributable to the services the Company provides its clients and includes amounts paid for contract labor, production materials, utilities and infrastructure. For the three months ended September 30, 2018, cost of revenue was $2,348,293, up $1,024,823 or 77% compared to the three months ended September 30, 2017, driven by cost increases primarily in labor and power to scale up our Farm operations.

c) Gross Profit

Gross profit for the three months ended September 30, 2018 was $3,645,362 with a 61% gross margin, compared to gross profit of $2,706,042 for the three months ended September 30, 2017 with a 67% gross margin. The decline in gross margin is primarily attributed to the cost of cultivation services, for labor, utilities and infrastructure which increased to support our growing business.

d) Operating Expenses

Operating expenses for the three months ended September 30, 2018 were $4,400,321, an increase of $1,452,453 from the three months ended September 30, 2017. Expense increases are primarily attributable to employee related costs which increased $993,907 for non-cash stock compensation and $158,177 for headcount additions to support the Company's expansion. Additionally, for the three months ended September 30, 2018 the Company recorded a credit loss reserve of $292,532.

e) Other Expense

Other expenses for the three months ended September 30, 2018 totaled $571,729, an increase of $176,634 compared to the three months ended September 30, 2017. The increase is primarily attributed to legal settlements of $300,000, see footnote 15(a) in the interim financial statements for more information, offset by a $52,471 decrease in interest expenses associated with convertible debentures which converted to equity in Q2 2018, and $67,683 of note discount amortization associated with the related party note receivable.

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the three months ended September 30, 2018 and 2017, the Company made no income tax provision.

Loss from Operations

Net operating loss before other income, provision for income taxes and non-controlling interest for the three months ended September 30, 2018 was $754,959, a $513,133 increase in operating loss compared to the three months ended September 30, 2017. Non-cash charges for depreciation, amortization, stock compensation and credit loss allowance accounted for $1,480,288 of the net operating loss increase.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, EBITDA was $477,325 and ($197,298) for the three months ended September 30, 2018 and 2017, respectively.

Current Assets

Current assets for the nine months ending September 30, 2018 were up $6,621,533 mainly due to an increase in accounts receivable due to revenue growth not yet collected.

Total Liabilities

Total liabilities were up $5,141,478 primarily due to an increase derivative liability and additional debt received offset by the Series A capital raise resulting in the conversion of convertible debts to equity.

Nine Months Ended September 30, 2018

a) Revenue

Revenue for the nine months ended September 30, 2018 was $15,796,735, a 44% increase from $10,966,953 for the nine months ended September 30, 2017.

Retail services revenue for the nine months ended September 30, 2018 was $4,573,765, a 19% decline compared to the nine months ended September 30, 2017. The Company earns retail services revenue from contractual relationships with client dispensaries to provide management services for licensed cannabis retailers. For the nine months ended September 30, 2018 and 2017, all retail management services revenue was generated from related party client, PMACC. Our retail management services revenue is derived from and aligned to PMACC sales, which experienced a year over year revenue decline for the nine months ending September 30, 2018 due to supply chain delays at external testing facilities, inventory delays from compliance with evolving packaging and labeling regulations, and lower net sales due to higher taxes at retail.

Wholesale services and rental revenue for the nine months ended September 30, 2018 was $11,222,970, up $5,933,964 or 112% from the nine months ended September 30, 2017. The Company earns wholesale services revenue from contractual relationships with client dispensaries for providing management services and infrastructure leases. Wholesale management services revenue for the nine months ended September 30, 2018 and 2017 were $7,925,014 and $3,725,265, respectively and all generated from one related party, PMACC. Our wholesale management services revenue is derived from and aligned to PMACC's wholesale production at our Farm, which improved during the nine months ended September 30, 2018 with infrastructure upgrades and the engagement of a new cultivation team at our Farm. Wholesale rental revenue for the nine months ended September 30, 2018 and 2017 were $3,297,956 and $1,563,741, respectively and consistent with the terms of the PMACC lease agreement with the Company.

b) Cost of Revenue

Cost of revenue are costs directly attributable to the services the Company provides its clients and includes amounts paid for contract labor, production materials, utilities and infrastructure. For the nine months ended September 30, 2018, cost of revenue was $5,911,625, an increase of $3,114,924 or 111% compared to the nine months ended September 30, 2017, driven by cost increases primarily in labor and power to scale up our operations.

c) Gross Profit

Gross profit for the nine months ended September 30, 2018 was $9,885,110 with a 63% gross margin, compared to gross profit of $8,170,252 for the nine months ended September 30, 2017 with a 75% gross margin. The decline in gross margin is primarily attributed to the cost of cultivation services, for labor, utilities and infrastructure which increased to support our growing business.

d) Operating Expenses

Operating expenses for the nine months ended September 30, 2018 were $13,710,528, an increase of $1,844,615 or 16% from the nine months ended September 30, 2017. Excluding the 2017 impairment loss, year over year operating expenses increased $5,480,989 for the nine months ended September 30, 2018. Expense increases are primarily attributable to employee related costs which increased $3,136,421 for non-cash stock compensation and $808,314 for headcount additions to support the Company's expansion, offset by a $609,800 reduction in consulting and contractor related expenses. Facilities charges increased $476,700 for Farm lease payments related to our Sale and Leaseback and $154,204 for power and maintenance at our Farm. Licensing and fees increased $115,672 for costs incurred to support our Farm expansion. Additionally, in 2018 the Company recorded a credit loss reserve of $1,241,927. As a percent of sales, excluding the 2017 impairment loss, total operating expenses were approximately 81% of revenue for the nine months ended September 30, 2018 and 75% of revenue for the nine months ended 2017.

2017 impairment loss – in 2017 the Company recorded an impairment loss of $3,636,374 for the Cannery. The Company started investing in the Cannery in 2015, however in early 2017 it was determined the Cannery project was no longer economically viable, and on May 2, 2017 the Company and 5733 San Leandro, LP, the landlord, entered into a lease termination agreement that waived any further rights against the Company in exchange for a mutual waiver and the forfeiting of any deposits. For the nine months ending September 30, 2017, the Company recorded impairment losses related to the Cannery of $3,636,374.

e) Other Expense

Other expenses for the nine months ended September 30, 2018 totaled $1,302,157, an increase of $471,643 or 57% compared to the nine months ended September 30, 2017. The increase is primarily due to interest charges of $761,707 associated with debt service of the Farm term loan, offset by $406,616 reduction in interest expenses associated with our convertible debentures which converted to equity in Q2 after the close of our series A qualified financing, further offset by the amortization of the note discount of $203,049 associated with the related party note receivable. Additionally in 2018, the Company recorded legal settlements of $300,000, see footnote 15(a) in the interim financial statements for more information.

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the nine months ended September 30, 2018 and 2017, the Company's income tax provision was $10,400.

Loss from Operations

Net loss from operations before other income (expense), provision for income taxes and non-controlling interest for the nine months ended September 30, 2018 was $3,825,418, an increase of $129,758 in operating loss compared to the nine months ended September 30, 2017. Excluding the 2017 impairment, year over year loss from operations increased $3,506,617 for the nine months ended September 30, 2018. Non-cash charges for depreciation, amortization, stock compensation and credit loss allowance accounted for $4,615,757 of the increase.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, EBITDA was ($451,242) and ($3,375,714) for the nine months ended September 30, 2018 and 2017, respectively.

Non-IFRS Measures

The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financials measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Non-IFRS Measures	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Loss (IFRS)	**$ (1,313,075)**	**$ (636,921)**	**$ (4,285,559)**	**$ (4,536,576)**
Interest expense	$ 349,050	$ 401,521	$ 1,249,631	$ 894,541
Amortization of Discount Related to Below Market Interest Notes Receivable	$ (67,683)	$ -	$ (203,049)	$ -
Provision for Income Taxes	$ -	$ -	$ (10,400)	$ (10,400)
Depreciation and amortization	$ 215,615	$ 21,766	$ 453,087	$ 215,678
Employee equity grants, non-cash	$ 1,003,056	$ 22,762	$ 2,345,048	$ 61,043
EBITDA (non-IFRS measure)	**$ 186,963**	**$ (190,873)**	**$ (451,242)**	**$ (3,375,714)**
Nonrecurring Income (Expense)	$ (290,362)	$ 6,426	$ (255,575)	$ 64,026
Adjusted EBITDA (non-IFRS measure)	**$ 477,325**	**$ (197,298)**	**$ (195,667)**	**$ (3,439,740)**

Non-GAAP Measures

This MD&A references certain measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. Management believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in this report.
While management believes that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

The non-GAAP measures presented in this MD&A are as follows: (i) "EBITDA", which refers to operating income (loss) plus interest expense, provision for income taxes, depreciation and amortization, and employee equity grants (non-cash).

LIQUIDITY & CAPITAL RESOURCES

Overview

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes to support our expansion. Our primary source of liquidity is funds generated by operating activities. We also use private and/or public financing as a source of liquidity for short-term working capital needs and to fund our growth initiatives. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As at September 30, 2018, the Company had $368,484 of cash and cash equivalents and a working capital surplus (current assets minus current liabilities) of $10,702,532, compared with $1,490,612 of cash and cash equivalents and a working capital deficit of $5,909,535 as of December 31, 2017. The increase of $16,612,067 of working capital was primarily due to a conversion of $12,012,896 of convertible debt to equity and $700,000 paid to notes concurrent with the close of our Series A financing in the second quarter of 2018. Additionally, for the nine months ended September 30, 2018 accounts receivable with related party, PMACC increased the working capital surplus by $7,633,978, offset by a $1,404,996 increase in the current portion of the Farm term loan, a $1,122,127 decrease in cash and a $1,207,683 increase in AP, net of prepaid expenses.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months from the date of this MD&A.

Cash Flows

Cash Used in Operating Activities – Net cash used in operating activities was $8,826,632 for the nine months ended September 30, 2018, an increase of $4,046,948, or 85%, compared to $4,779,684 of net cash used in operations for the nine months ended September 30, 2017. The increase in net cash used in operating activities was primarily attributable to a $2,444,186 increase in net related party accounts receivable, adjusted net losses of $1,450,524, and $152,238 decrease in other working capital.

Cash Used in Investing Activities – Net cash used in investing activities was $1,181,889 for the nine months ended September 30, 2018, an increase of $1,916,404, or 261%, compared to $734,515 of net cash received during the nine months ended September 30, 2017. During 2017 the Company executed a sale and lease back of the Salinas Farm which generated $8,846,192 of proceeds. Excluding the sale and leaseback transaction, net cash used in investing activities during the nine months ended September 30, 2018 decreased year over year by $6,929,789. The decrease in net cash used in investing activities was primarily due to $5,497,923 less property and equipment purchases, $553,990 less investment purchases, and $877,876 cash received from related party notes receivable, net of payments received and notes issued.

Cash From Financing Activities – Net cash provided from financing activities was $8,886,393 for the nine months ended September 30, 2018, an increase of $7,562,881, or 571%, compared to $1,323,512 for the nine months ended September 30, 2017. The increase in net cash provided by financing activities is primarily attributable to $5,207,881 of net proceeds received from issuance of Series A equity, $2,820,581 in proceeds from debt, offset by $400,000 of distributions made to non-controlling interest and $65,581 decrease in proceeds from the exercise of stock options.

Off-Balance Sheet Arrangements

As of 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, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

During the three and nine months ended September 30, 2018, the Company provided contract management services to and leased cultivation facilities and buildings to PMACC (Note 11). For the three and nine months ended September 30, 2018, the Company derived the entirety of its revenue from PMACC.

At September 30, 2018 and December 31, 2018, the Company was owed $17,275,402 and $9,641,424, net of $1,735,664 and $0 allowance for credit loss, respectively, by PMACC.

In December 2017, the Company sold its interests in a cannabis license located in San Leandro, California to PMACC. The Company recognized a gain on the sale in the amount of $2,500,000 as a result of the transaction entered into a note receivable with PMACC with a principal amount of $3,000,000 at a 2% interest rate. All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025. Due to the interest rate being below market, the Company has recorded a discount in the amount of $2,165,814 on the note receivable based on an annual rate of 12%. The discount is amortized at a monthly rate of $22,561. At December 31, 2017, the note had a net discount of $2,161,302. As a result, the net gain on the sale of investment was $334,186 at December 31, 2017. At September 30, 2018, the note had a net discount of $1,958,253.

The Company has one other note receivable due from PMACC that is due on demand and does not bear interest. At September 30, 2018 and December 31, 2017, the balance of the note was $177,198 and $55,000.

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

Compensation of key management personnel for the three and nine months ended September 30, 2018, and 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Management compensation	$ 374,758	$ 430,506	$ 1,121,922	$ 1,268,076
Directors' fees	5,000	-	5,000	-
Share-based payments	645,250	12,510	1,302,686	39,208
	$ 1,025,008	**$ 443,016**	**$ 2,429,608**	**$ 1,307,284**

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICIES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities; and note payables and accrued interest.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Capital Structure Risk Management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of stockholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new stock, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the nine months September 30, 2018.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

As at September 30, 2018, the carrying amount of cash $368,484, accounts receivable of $17,275,402 and notes receivable of $1,218,945 represent the maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for credit loss, estimated by the management of the Company based forward looking information.

The Company has significant exposure to a single customer, PMACC. In order to determine the allowance for credit losses, the Company conducts an analysis of the customer and its customary pay practices and the terms of the contract under which the obligation arose. Based on the review the Company recorded provision for credit losses of $1,241,927 and $0 at September 30, 2018 and 2017.

As of September 30, 2018 and 2017, the Company's aging of receivables was approximately as follows:

	September 30, 2018	December 31, 2017
0 - 60 days	$ 3,849,234	$ 7,546,475
61+ days	13,426,168	2,094,948
	$ 17,275,402	**$ 9,641,424**

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2018, the Company had $368,48 of cash and working capital of $10,702,532, respectively.

In addition to the commitments outlined in Note 16, the Company has the following contractual obligations:

	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 5,757,807	$ 5,757,807	$ -	$ -	$ -
Notes payable and accrued interest	8,903,918	1,404,996	5,732,898	1,766,024	-
	$ 14,661,725	**$ 7,162,803**	**$ 5,732,898**	**$ 1,766,024**	**$ -**

SCHEDULE "G"
MD&A OF HARBORSIDE DISPENSARIES

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION

Management's Discussion & Analysis

For the years ended December 31, 2017 and 2016

(Expressed in United States Dollars)

Dated April 29, 2019

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Patients Mutual Assistance Collective Corporation ("PMACC") and its wholly-owned subsidiary San Jose Wellness Solutions Corp. (together with PMACC, the "Company") has been prepared by management of the Company and is supplemental to, and should be read in conjunction with, the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. In preparing this MD&A, management of the Company has taken into account information available up to April 29, 2019, unless otherwise stated.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.

This MD&A has been prepared in accordance to the MD&A disclosure requirements established under National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward looking information and statements. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Statements" and "Item 17 – Risk Factors" in the Listing Statement of Lineage Grow Company Ltd. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

The MD&A was prepared and approved by management of the Company on April 29, 2019.

OVERVIEW OF THE COMPANY

PMACC was incorporated on August 28, 2005, under the California Corporations Code in the United States of America. The Company includes PMACC and the following entity which is controlled by PMACC:

Entity	Place of incorporation	Effective ownership
San Jose Wellness Solutions Corp.	California	100%

PMACC is a California cannabis consumer goods company whose primary objective is to provide extraordinary service by offering cannabis through a safe and affordable alternative to illegal markets. The Company serves individuals suffering from a wide variety of medical issues as well as all adults over the age of twenty-one and advocates for the needs of its patients, customers, and the community. The Company strives to promote the benefits of cannabis through social and political awareness. The Company is supported primarily through the sale of cannabis and related products.

Operating Divisions

The Company has consolidated financial statements across its operating divisions:

Retail – direct sales to end consumers in its retail stores; and

Wholesale – cultivation, manufacture, sales and distribution of packaged cannabis products to distributors and third-party retailers.

Operational Drivers

Revenue is derived from wholesale and retail businesses in which the Company cultivates, manufactures, sells and distributes cannabis products to distributors and third-party retailers, and from direct sales to end consumers in its retail stores.

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis related costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Operating expenses (other than the cost of goods sold) consist of general and administrative costs to support customer relationships, marketing and branding activities, and the corporate infrastructure required to sustain the ongoing business. General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, and benefits. Operating expenses also include professional fees. The Company expects such costs to increase to support aggressive expansion plans and navigate the increasing complexity of the cannabis industry. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in compensation expenses related to recruiting and hiring talent.

<u>*Provision for Income Taxes*</u> PMACC is subject to income taxes in the jurisdictions in which the Company operates and, consequently, income tax expense is a function of the allocation of taxable income by a jurisdiction and the various activities that impact the timing of taxable events. Companies operating in the US cannabis industry are subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016. The selected consolidated financial information set out below may not be indicative of the Company's future performance

Selected Financial Information	**Year Ended December 31, 2017**	**2016**
a) Sales Revenue, net of discounts	$ 45,316,159	$ 43,391,533
Retail	*43,060,794*	*43,001,113*
Wholesale	*2,255,365*	*390,420*
b) Cost of Goods Sold	40,115,063	32,602,667
Retail	*32,381,786*	*31,565,364*
Wholesale	*7,733,277*	*1,037,303*
Change in Fair Value of Biological Assets	1,451,049	537,339
c) Gross Profit	6,652,145	11,326,205
d) Operating Expenses	14,093,739	11,994,871
Loss from Operations	**$ (7,441,594)**	**$ (668,666)**
e) Other Income (Expense)	$ 118,923	$ (8,100)
f) Provision of Income Taxes	$ 1,600	$ 346,403
Current Assets	$ 11,962,819	$ 6,133,931
Total Assets	$ 14,134,648	$ 7,269,019
Total Liabilites	$ 22,015,225	$ 7,825,325

a) Sales Revenue

Revenue for the fiscal year ended December 31, 2017 was $45,316,159 up 4.4% from $43,391,533 for fiscal year ending December 31, 2016.

Retail revenue for the year ended December 31, 2017 was $43,060,794, up $59,681 from year ended December 31, 2016.

Wholesale revenue for the fiscal year ended December 31, 2017 was $2,255,365, up $1,864,945 from fiscal year ended December 31, 2016. The Company's Wholesale business started in September 2016, with 2017 representing the first full year of operations.

b) Cost of Goods Sold

Retail cost of goods sold are derived from retail purchases made from other licensed operators within the State of California and indirect expenses associated with the management of inventory. For the year ended December 31, 2017 retail cost of goods sold was $32,381,786, up $816,422 or 2.6% compared to the year ended December 31, 2016.

Wholesale cost of goods sold are derived from costs related to the internal cultivation and production of cannabis. For the year ended December 31, 2017 wholesale cost of goods sold, excluding any adjustments to the fair value of biological assets, was $7,733,277, up $6,695,974 or 646% compared to year ended December 31, 2016. Cost increases are primarily attributed to the startup and expansion of the operation, including cost of cultivation, labor, utilities, and infrastructure.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell. The biological assets are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is recorded to cost of sales. In addition, the cost of sales also include products and costs related to other products acquired from other producers and sold by the Company.

c) Gross Profit

Retail gross profit for the year ended December 31, 2017 was $10,679,008 representing a gross margin on the sale of cannabis goods in its retail locations of 24.8%. This is compared to a retail gross profit for the year ended December 31, 2016 of $11,435,749 or a 26.6% gross margin.

Wholesale gross loss before biological adjustments for the year ended December 31, 2017 was $5,477,912 representing a negative gross margin of 243%, compared to wholesale gross loss before biological adjustments for the year ended December 31, 2016 of $646,883 or a 166% negative gross margin. The Company's cultivation operation is still in the startup phase. PMACC is actively investing in processes and procedures concurrent with its cultivation buildout to improve yield and margins which it expects to complete in 2019. Until the buildout is complete, the company expects negative margins for Wholesale to continue.

The unrealized gain from changes in fair value of biological assets for the year ended December 31, 2017 was $1,451,049, up $913,710, driven by increased cannabis in production.

d) Operating Expenses

Operating expenses for the year ended December 31, 2017 were $14,093,739, up $2,098,868 or 17.5% from the prior year. Increase in operating expense was attributable to an increase in management fees of $3,062,670 to a related party. The management fees were incurred starting July 2016, with 2017 representing the first full year of expenses. These fees were offset by a reduction of labor and professional fees that were absorbed by the related party.

e) Other Income (Expense)

Other income for the year ended December 31, 2017 totaled $118,923, compared to $8,100 of other expenses in 2016. The increase in other income is related to royalty, consulting, and sub-lease payments received in 2017 for $126,021 and a decrease in interest expense of $1,002.

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the year ended December 31, 2017, the Company's income tax provision totaled $1,600 compared to $346,403 for the year ended December 31, 2016. Note that these provision for income taxes do not include potential tax liabilities arising from 280E. As referenced in the commitments and contingencies section of the footnotes (Note 20), litigation with the IRS is still ongoing and the Company estimates that the tax liability could range from $11 million to $15 million (including San Jose Wellness). The Company expects to record the liability at the conclusion of the litigation with the IRS.

Loss from Operations

Net loss from operations before other income (expense), provision for income taxes for the year ended December 31, 2017 was $7,441,594, an increase of $6,772,928 from year ended December 31, 2016.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, EBITDA was ($7,105,344) and ($494,305) for the years ended December 31, 2017 and 2016, respectively.

Current Assets

Current assets increase from December 31, 2016 to December 31, 2017 was mainly attributable to an increase in retail inventory as the Company purchased additional cannabis flower in December 2017 in anticipation of increased business due to the legalization of recreational sales on January 1, 2018.

Total Liabilities

The increase in total liabilities is attributable to an increase in accounts payable for bulk inventory purchased in December 2017, and from retail management services performed by our related party, FLRish.

Non-IFRS Measures

The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financials measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Non-IFRS Measures	**Year Ended December 31,**			
		2017		**2016**
Net Loss (IFRS)	$	(7,324,271)	$	(1,023,169)
Interest expense	$	7,098	$	8,100
Provision for Income Taxes	$	1,600	$	346,403
Depreciation and amortization	$	210,230	$	174,361
EBITDA (non-IFRS measure)	**$**	**(7,105,344)**	**$**	**(494,305)**

Non-GAAP Measures

This MD&A references certain measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. Management believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in this report.

While management believes that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

The non-GAAP measures presented in this MD&A are as follows: (i) "EBITDA", which refers to operating loss plus interest expense, provision for income taxes, and depreciation and amortization, and (ii) "gross margin" which means net sales minus cost of goods sold ("COGS").

LIQUIDITY & CAPITAL RESOURCES

Overview

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by operating activities. We also use private and/or public financing as a source of liquidity for short-term working capital needs and general corporate purposes. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As at December 31, 2017, the Company had $925,944 of cash and a working capital deficit (current assets minus current liabilities) of $8,158,634, compared with $1,418,511 of unrestricted cash and a working capital deficit of $595,891 as of December 31, 2016. The increase of $7,562,743 in our working capital deficit was primarily due to an increase of accounts payable due to related parties.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months from the date of this MD&A.

Cash Flows

Cash Used in Operating Activities – Net cash used in operating activities was $36,767 for the year ended December 31, 2017, a decrease of $232,021, compared to $268,788 of net cash used in operating activities for the year ended December 31, 2016. The decrease in net cash used in operating activities was primarily due an increase in accounts payable and other non-cash working capital, offset by increase in net loss and an increase in inventory due to purchases prior to year-end.

Cash Used in Investing Activities – Net cash used in investing activities was $1,246,9712 for the year ended December 31, 2017, an increase of $1,264,693, compared to net cash provided by investing activities of $17,722 for the year ended December 31, 2016. The increase in net cash used in investing activities was primarily due capital expenditure and investment in San Leandro Wellness Solutions, Inc. ("SLWS"), a new retail location expected to open in 2019.

Cash From Financing Activities – Net cash provided from financing activities was $791,171 for the year ended December 31, 2017, a decrease of $282,310, compared to $1,073,481 for the year ended December 31, 2016. The decrease in net cash provided by financing activities is primarily attributable to decrease in related party net borrowings.

Off-Balance Sheet Arrangements

As at the date of this filing, 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, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

The Company considers the shareholders, members of management, and members of their immediate families, and entities under common control to be related parties to the Company.

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company. Remuneration of directors and key management personnel of the Company was as follows:

	2017	2016
Salaries and benefits	$ 0	$ 568,986
	$ 0	$ 568,986

In the second half of 2016 the compensation of directors and key management personnel was assumed by FLRish Retail Management & Security Services, LLC ("RMCO"), a wholly owned subsidiary of FLRish, Inc ("FLRish"), as part of the services provided by RMCO (Note 20).

On December 25, 2017, the Company purchased 50% of the authorized and issued common shares of SLWS from FLRish. The purchase price of the common shares of SLWS was $3,000,000. The purchase was satisfied in full by a note payable to FLRish. All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025.

At December 31, 2017, the Company owed $55,000 to FLRish, a related party. The amount owed is for money advanced by FLRish to SLWS prior to the acquisition of the common shares of SLWS.

The Company has a note payable due to FLRish for costs incurred to assist it in developing a cultivation facility. At December 31, 2017 and 2016, the Company owed FLRish $1,000,075 and $1,090,208, respectively.

For the years ended December 31, 2017 and 2016, the Company entered into transactions with a related party, Savature, Inc. ("Savature"), a wholly-owned subsidiary of FLRish and related party of the Company. The Company and Savature share key management personnel. Savature provides contract services to PMACC. For the years ended December 31, 2017 and 2016, Savature billed the Company $7,880,698 and $2,322,700, respectively, for contract services rendered. During the years ended December 31, 2017 and 2016, the Company paid Savature $1,663,243 and $360,140, respectively, for services rendered.

For the years ended December 31, 2017 and 2016, the Company entered into transactions with RMCO, a related party. RMCO and the Company share key management personnel. RMCO provides contract services to PMACC. For the years ended December 31, 2017 and 2016, RMCO billed the Company $6,801,312 and $2,648,434, respectively, for services rendered.

During the years ended December 31, 2017 and 2016, the Company paid RMCO $5,368,562 and $2,619,775, respectively, for services rendered. At December 31, 2017 and 2016, the Company had amounts due to RMCO of $538,259 and $1,461,409, respectively.

For the years ended December 31, 2017 and 2016, RMCO paid lease obligations on behalf of the Company in the amounts of $118,410 and $37,500, respectively. At December 31, 2017, RMCO recognized prepaid lease obligations on behalf of PMACC in the amount of $10,960.

During 2016, the Company advanced money to RMCO and Savature during their startup phases. At December 31, 2016, RMCO and Savature owed the Company $566,918 and $102,815, respectively.

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICIES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 – Financial Instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for periods commencing on or after January 1, 2018. Based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company plans to adopt IFRS 15 on the required effective date and based on the Company's assessment, the adoption of this new standard will not have a material impact on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

<u>Allowance for Doubtful Accounts</u>

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

<u>Estimated Useful Lives and Depreciation of Property and Equipment and Intangible Assets</u>

Depreciation of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

<u>Biological Assets</u>

Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth or the cannabis, harvested costs, sales price and expected yields.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities; and note payables and accrued interest.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Capital Structure Risk Management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of stockholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new stock, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2017.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

At December 31, 2017 and 2016, the carrying amount of cash was $925,944 and $1,611,776, respectively, and accounts receivable was $235,831 and $753,244, respectively, represent the maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company does not significant exposure to any individual customer. The Company has estimated bad debts of $0 and $0 at December 31, 2017 and 2016, respectively.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At December 31, 2017 and 2016, the Company had unrestricted cash of $925,944 and $1,418,511, respectively, and working deficit of $8,167,023 and $595,891, respectively.

PATIENTS MUTUAL ASSISTANCE COLLECTIVE CORPORATION

Management's Discussion & Analysis

For the three and nine months ended September 30, 2018 and 2017

(Expressed in United States Dollars)

Dated April 29, 2019

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Patients Mutual Assistance Collective Corporation ("PMACC") and its wholly-owned subsidiary San Jose Wellness Solutions Corp. (together with PMACC, the "Company") has been prepared by management of the company and is supplemental to, and should be read in conjunction with, the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2018 and 2017, and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. In preparing this MD&A, management of the Company has taken into account information available up to April 29, 2019, unless otherwise stated.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.

This MD&A has been prepared in accordance to the MD&A disclosure requirements established under National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward looking information and statements. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Statements" and "Item 17 – Risk Factors" in the Listing Statement of Lineage Grow Company Ltd. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

The MD&A was prepared and approved by management of the Company on April 29, 2019.

OVERVIEW OF THE COMPANY

PMACC was incorporated on August 28, 2005, under the California Corporations Code in the United States of America. The Company includes PMACC and the following entity which is controlled by PMACC:

Entity	Place of incorporation	Effective ownership September 30, 2018	Effective ownership September 30, 2017
San Jose Wellness Solutions Corp.	California	100%	100%

PMACC is a California cannabis consumer goods company whose primary objective is to provide extraordinary service by offering cannabis through a safe and affordable alternative to illegal markets. The Company serves individuals suffering from a wide variety of medical issues as well as all adults over the age of twenty-one and advocates for the needs of its patients, customers, and the community. The Company strives to promote the benefits of cannabis through social and political awareness. The Company is supported primarily through the sale of cannabis and related products.

Operating Divisions

The Company has consolidated financial statements across its operating divisions:

Retail – direct sales to end consumers in its retail stores; and

Wholesale – cultivation, manufacture, sales and distribution of packaged cannabis products to distributors and third-party retailers

Operational Drivers

Revenue is derived from wholesale and retail businesses in which the Company cultivates, manufactures, sells and distributes cannabis products to distributors and third-party retailers, and from direct sales to end consumers in its retail stores.

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis related costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Operating expenses (other than the cost of goods sold) consist of general and administrative costs to support customer relationships, marketing and branding activities, and the corporate infrastructure required to sustain the ongoing business. General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, and benefits. Operating expenses also include professional fees. The Company expects such costs to increase to support aggressive expansion plans and navigate the increasing complexity of the cannabis industry.

Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in compensation expenses related to recruiting and hiring talent.

Provision for Income Taxes PMACC is subject to income taxes in the jurisdictions in which the Company operates and, consequently, income tax expense is a function of the allocation of taxable income by a jurisdiction and the various activities that impact the timing of taxable events. Companies operating in the US cannabis industry are subject to the limitations of IRC Section 280E under which taxpayers are only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017. The selected consolidated financial information set out below may not be indicative of the Company's future performance:

Selected Finacial Information	Three Months Ended Septmber 30, 2018	Three Months Ended Septmber 30, 2017	Nine Months Ended Septmber 30, 2018	Nine Months Ended Septmber 30, 2017
a) Sales Revenue, net of discounts	$ 11,500,757	$ 10,746,881	$ 31,851,167	$ 34,421,223
Retail	*9,161,023*	*10,461,007*	*28,672,759*	*32,930,658*
Wholesale	*2,339,734*	*285,874*	*3,178,408*	*1,490,565*
b) Cost of Goods Sold	10,968,392	8,923,074	32,714,379	28,131,509
Retail	*6,309,900*	*8,097,834*	*21,150,027*	*24,798,538*
Wholesale	*4,658,492*	*825,240*	*11,564,352*	*3,332,971*
Change in Fair Value of Biological Assets	(579,889)	431,099	1,467,796	1,733,339
c) Gross Profit	(47,524)	2,254,905	604,584	8,023,053
d) Operating Expenses	3,521,899	3,356,554	10,564,942	10,097,224
Income (loss) from Operations	**$ (3,569,423)**	**$ (1,101,650)**	**$ (9,960,358)**	**$ (2,074,171)**
e) Other Income (Expense)	$ (56,406)	$ 14,077	$ (167,040)	$ 92,022
f) Provision of Income Taxes	$ -	$ -	$ (73,652)	$ -

	September 30, 2018	September 30, 2017
Current Assets	$ 8,894,912	$ 10,745,666
Total Assets	$ 11,475,042	$ 11,913,188
Total Liabilites	$ 29,409,364	$ 14,451,644

Three Months Ended September 30, 2018

a) Sales Revenue

Revenue for the three months ended September 30, 2018 was $11,500,757, a 7% increase from $10,746,881 for the three months ended September 30, 2017.

Retail revenue for the three months ended September 30, 2018 was $9,161,023, a decline of $1,299,984 or 12% from the three months ended September 30, 2017. The Company experienced a year over year revenue decline for the three months ended September 30, 2018 due to regulatory changes that temporarily impacted the cannabis inventory supply chain in Northern California. As a result, PMACC experienced lower than expected sales in July, but saw sales level return to normal in subsequent periods.

Wholesale revenue for the three months ended September 30, 2018 was $2,339,734, an increase of $2,053,860 or 718% from the three months ended September 30, 2017. Wholesale production improved during the three months ended September 30, 2018 with the engagement of a new cultivation team in 2018.

b) Cost of Goods Sold

Retail cost of goods sold are derived from retail purchases made from other licensed operators within the State of California and indirect expenses associated with the management of inventory. For the three months ended September 30, 2018, retail cost of goods sold was $6,309,900, down $1,787,934 or 22% compared to the three months ended September 30, 2017. The Company attributes its lower retail COGS to lower inventory costs achieved through vertical integration.

Wholesale cost of goods sold are derived from costs related to the internal cultivation and production of cannabis. For the three months ended September 30, 2018, wholesale cost of goods sold, excluding any adjustments to the fair value of biological assets, was $4,658,492, up $3,833,252 or 465% compared to the three months ended September 30, 2017. In addition to increased production, cost increases are primarily attributed to the startup and expansion of the operation, including cost of cultivation, labor, utilities, and infrastructure.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell. The biological assets are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is recorded to cost of sales. In addition, the cost of sales also include products and costs related to other products acquired from other producers and sold by the Company.

c) Gross Profit

Retail gross profit for the three months ended September 30, 2018 was $2,851,123 with a 31% gross margin, compared to gross profit of $2,363,173 for the three months ended September 30, 2017 with a 23% gross margin.

Wholesale gross loss before biological adjustments for the three months ended September 30, 2018 was $2,318,758 representing a negative gross margin of 99%, compared to wholesale gross loss before biological adjustments of $539,366 for the three months ended September 30, 2017 with a negative gross margin of 189%. The Company's cultivation operation is still in the startup phase. PMACC is actively investing in processes and procedures concurrent with its cultivation buildout to improve yield and margins which it expects to complete in 2019. Until the buildout is complete, the company expects negative margins for Wholesale to continue.

The unrealized loss from changes in fair value of biological assets for the three months ended September 30, 2018 was $579,889, compared with the unrealized gain from changes in fair value of biological assets for the three months ended September 30, 2017 of $431,099, driven by increased harvested cannabis and wholesale sales.

d) Operating Expenses

Operating expenses for the three months ended September 30, 2018 were $3,521,899, an increase of $165,345 from the three months ended September 30, 2017. Expense increases are primarily attributable to professional fees which increased $118,973 for legal services in support of litigation matters outlined in the commitments and contingencies section of the notes to financial statements.

e) Other Income (Expense)

Other expenses for the three months ended September 30, 2018 totaled $56,406, compared to $14,077 of other income for the three months ended September 30, 2017. The increase in other expenses is primarily due to an increase in interest expense of $67,449 to related party.

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the three months ended September 30, 2018 and 2017, the Company made no income tax provision. Note that these provision for income taxes do not include potential tax liabilities arising from 280E. As referenced in the commitments and contingencies section of the footnotes (Note 20), litigation with the IRS is still ongoing and the Company estimates that the tax liability could range from $11 million to $15 million (including San Jose Wellness). The Company expects to record the liability at the conclusion of the litigation with the IRS.

Loss from Operations

Net loss from operations before other income (expense), provision for income taxes for the three months ended September 30, 2018 was $3,521,899, a $165,345 increase in net loss from operations before other income (expense), provision for income taxes compared to the three months ended September 30, 2017.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, EBITDA was ($3,491,019) and ($1,030,975) for the three months ended September 30, 2018 and 2017, respectively.

Nine Months Ended September 30, 2018

a) Sales Revenue

Revenue for the nine months ended September 30, 2018 was $31,851,167, a 7% decrease from $32,930,658 for the nine months ended September 30, 2017.

Retail revenue for the nine months ended September 30, 2018 was $28,672,759, a decline of $4,257,899 or 13% from the nine months ended September 30, 2017. The Company experienced a year over year revenue decline for the nine months ending September 30, 2018, which it primarily attributed to decreased purchasing power of its customers due to higher cannabis taxes paid by the consumers. Additionally, in July 2018, regulatory changes temporarily impacted the cannabis inventory supply chain in Northern California. As a result, PMACC experienced lower than expected sales in July, but saw sales level return to normal in subsequent periods.
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Wholesale revenue for the nine months ended September 30, 2018 was $3,178,408, an increase of $1,687,843 or 113% from the nine months ended September 30, 2017. Wholesale production improved during the nine months ended September 30, 2018 with the engagement of a new cultivation team in 2018.

b) Cost of Goods Sold

Retail cost of goods sold are derived from retail purchases made from other licensed operators within the State of California and indirect expenses associated with the management of inventory. For the nine months ended September 30, 2018, retail cost of goods sold was $21,150,027, down $3,648,510 or 15% compared to the nine months ended September 30, 2017. The Company attributes its lower retail COGS to lower inventory costs achieved through vertical integration.

Wholesale cost of goods sold are derived from costs related to the internal cultivation and production of cannabis. For the nine months ended September 30, 2018, wholesale cost of goods sold, excluding any adjustments to the fair value of biological assets, was $11,564,352, up $8,231,381 or 247% compared to the nine months ended September 30, 2017. In addition to increased production, cost increases are primarily attributed to the startup and expansion of the operation, including cost of cultivation, labor, utilities, and infrastructure.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell. The biological assets are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is recorded to cost of sales. In addition, the cost of sales also include products and costs related to other products acquired from other producers and sold by the Company.

c) Gross Profit

Retail gross profit for the nine months ended September 30, 2018 was $7,522,732 with a 26% gross margin, compared to gross profit of $8,132,120 for the nine months ended September 30, 2017 with a 25% gross margin.

Wholesale gross loss before biological adjustments for the nine months ended September 30, 2018 was $8,285,944 representing a negative gross margin of 261%, compared to wholesale gross loss before biological adjustments of $1,842,406 for the nine months ended September 30, 2017 with a negative gross margin of 124%. The Company's cultivation operation is still in the startup phase. PMACC is actively investing in processes and procedures concurrent with its cultivation buildout to improve yield and margins which it expects to complete in 2019. Until the buildout is complete, the company expects negative margins for Wholesale to continue.

The unrealized gain from changes in fair value of biological assets for the nine months ended September 30, 2018 was $1,467,796, compared with the unrealized gain from changes in fair value of biological assets for the nine months ended September 30, 2017 of $1,733,339, driven by increased harvested cannabis and wholesale sales.

d) Operating Expenses

Operating expenses for the nine months ended September 30, 2018 were $10,564,942, an increase of $467,718 from the nine months ended September 30, 2017. Expense increases are primarily attributable to professional fees which increased $537,186 for legal services in support of litigation matters outlined in the commitments and contingencies section of the notes to financial statements.

e) Other Expense

Other expenses for the nine months ended September 30, 2018 totaled $167,040, compared to $92,022 of other income for the nine months ended September 30, 2017. The increase in other expenses is due to an increase in interest expense of $204,825 from notes payable due to a related party. Other income decreased by $54,237 from reduction of consulting income.

f) Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at year-end. For the nine months ended September 30, 2018 and 2017, the Company's income tax provision was ($73,652) and zero, respectively. The Company received an enterprise zone tax credit from the State of California during the nine months ended September 30, 2018. Note that these provision for income taxes do not include potential tax liabilities arising from 280E. As referenced in the commitments and contingencies section of the footnotes (Note 20), litigation with the IRS is still ongoing and the Company estimates that the tax liability could range from $11 million to $15 million (including San Jose Wellness). The Company expects to record the liability at the conclusion of the litigation with the IRS.

Loss from Operations

Net loss from operations before other income (expense), provision for income taxes for the nine months ended September 30, 2018 was $9,960,358, a $7,886,187 increase in net loss from operations before other income (expense), provision for income taxes compared to the nine months ended September 30, 2017.

As presented in the Non-IFRS section, after adjusting for non-cash operating expenditures, EBITDA was ($9,714,840) and ($1,831,464) for the nine months ended September 30, 2018 and 2017, respectively.

Current Assets

Current assets at September 30, 2018 were down $3,067,907 from December 31, 2017 due to a reduction of inventory of $5,292,248 offset by increase in cash of $360,394, increase in accounts receivable of $471,298, and increase in biological assets of $1,467,796.

Total Liabilities

Total liabilities at September 30, 2018 were up $7,394,139 from December 31, 2017 mainly due to an increase in accounts payable – related party of $9,055,738 offset by a decrease in accounts payable of $1,459,735.

Non-IFRS Measures

The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financials measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Non-IFRS Measures	**Three Months Ended Septmber 30,**				**Nine Months Ended Septmber 30,**			
		2018		**2017**		**2018**		**2017**
Net Loss (IFRS)	$	(3,625,829)	$	(1,087,572)	$	(10,053,746)	$	(1,982,149)
Interest expense	$	67,847	$	398	$	205,347	$	522
Provision for Income Taxes	$	-	$	-	$	(73,652)	$	-
Depreciation and amortization	$	66,963	$	56,199	$	207,211	$	150,164
EBITDA (non-IFRS measure)	**$**	**(3,491,019)**	**$**	**(1,030,975)**	**$**	**(9,714,840)**	**$**	**(1,831,464)**

Non-GAAP Measures

This MD&A references certain measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. Management believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in this report.

While management believes that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

The non-GAAP measures presented in this MD&A are as follows: (i) "EBITDA", which refers to operating loss plus interest expense, provision for income taxes, and depreciation and amortization, and (ii)) "gross margin" which means net sales minus cost of goods sold ("COGS").

LIQUIDITY & CAPITAL RESOURCES

Overview

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by operating activities. We also use private and/or public financing as a source of liquidity for short-term working capital needs and to fund our growth initiatives. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As at September 30, 2018, the Company had $1,286,338 of cash and a working capital deficit (current assets minus current liabilities) of $18,981,603, compared with $925,944 of cash and a working capital deficit of $8,158,634 as at December 31, 2017. The decrease of $10,822,969 of working capital was primarily due to an increase of $9,055,738 of accounts payable due to a related party and decrease in inventory and biological assets of $3,824,452, offset by a $1,459,735 decrease in accounts payable.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months from the date of this MD&A.

Cash Flows

Cash From Operating Activities – Net cash provided in operating activities was $1,340,816 for the nine months ended September 30, 2018, an increase of $1,636,520, compared to $295,704 of net cash used in operations for the nine months ended September 30, 2017. The increase in net cash provided in operating activities was attributable to a $9,660,443 decrease in inventory and biological assets, $1,968,760 increase in net related party accounts payable and $465,259 increase in other working capital, offset by an increase in adjusted net losses of $8,014,023, decrease in net accounts payable and receivable of $2,443,919.

Cash Used in Investing Activities – Net cash used in investing activities was $615,117 for the nine months ended September 30, 2018, an increase of $432,981, or 238%, compared to $182,136 of net cash used during the nine months ended September 30, 2017. The increase in net cash used in investing activities was primarily due to $429,041 used to fund an investment in San Leandro Wellness Solutions, Inc., a new retail location expected to open in 2019.

Cash Used Financing Activities – Net cash used from financing activities was $365,305 for the nine months ended September 30, 2018, an increase of $265,886, or 267%, compared to $99,419 for the nine months ended September 30, 2017. The increase in net cash used by financing activities is primarily attributable to $360,923 of net payments made on notes payable with a related party.

Off-Balance Sheet Arrangements

As of 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, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

The Company considers the shareholders, members of management, and members of their immediate families, and entities under common control to be related parties to the Company.

On December 25, 2017, the Company purchased 50% of the authorized and issued common stock of San Leandro Wellness Solutions, Inc ("SLWS") from FLRish, Inc ("FLRish"). The purchase price for a 50% interest in SLWS was $3,000,000. The purchase was satisfied in full by a note issued by a note payable to FLRish (the "FLRish Note"). All principal and accrued interest totaling $3,520,064 are payable in a balloon payment due December 25, 2025.

As at September 30, 2018 and December 31, 2017, the Company owed $177,198 and $55,000, respectively to FLRish under the FLRish Note.

The Company has a note payable due to FLRish for costs incurred to assist it in developing a cultivation facility ("Cannery Note"). At September 30, 2018, the Cannery Note was paid in full.

During the nine months ended September 30,2018, the Company entered into certain transactions with Savature, Inc. ("Savature"), a wholly-owned subsidiary of FLRish and related party of the Company. The

Company and Savature share key management personnel. Savature provides contract services to PMACC. For the nine months ended September 30, 2018, Savature billed the Company $6,439,986, for contract services rendered. During the nine months ended September 30, 2018, the Company paid Savature $2,677,004, for services rendered.

During the nine months ended September 30, 2018, the Company entered into certain transactions FLRish and its wholly owned subsidiary, FLRish Retail Management & Security Services, LLC ("RMCO"). FLRish, RMCO and the Company share key management personnel. RMCO provides contract services to PMACC. For the nine months ended September 30, 2018, RMCO billed the Company $4,383,130 for services rendered. During the nine months ended September 30, 2018, the Company paid RMCO $2,065,328 for services rendered. At the nine months ended September 30, 2018, the Company had an amount due to RMCO of $3,779,211.

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICIES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>IFRS 16 – Leases</u>

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivables, deposits, accounts payable and accrued liabilities; and note payables and accrued interest.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management process.

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its notes payable and convertible notes are carried at a fixed interest rate throughout their term.

Capital Structure Risk Management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of stockholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new stock, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the nine months September 30, 2018.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable.

As at September 30, 2018, the carrying amount of cash $1,286,338, accounts receivable of $707,129 represent the maximum exposure to credit risk.
The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for credit loss, estimated by the management of the Company based forward looking information.
The Company does not have significant exposure to any individual single customer. The Company has estimated bad debts of $0 and $0 at September 30, 2018 and December 31, 2017, respectively.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2018, the Company had $1,286,338 of cash and working capital deficit of $18,981,603, respectively.