MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JANUARY 31, 2019

May 29, 2019

The following Management's Discussion and Analysis ("MD&A") is current to May 29, 2019 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 year ended January 31, 2019 ("Fiscal 2019"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended January 31, 2019. 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 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 January 31, 2020, 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 (2) 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 a purchase agreement to acquire Walnut Oaks, LLC ("Walnut Oaks") d/b/a Agris Farms which operates a fully-operational and licensed 43,500 sq. ft. cannabis cultivation facility in Yolo County, California as well as a binding Letter of Intent ("LOI") to acquire Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary ("LUX"), which operates one (1) of 16 licensed cannabis retail dispensaries in San Jose, California.

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

As at May 29, 2019, 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
Robert Schwartz	Director
Hamish Sutherland	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 LOI to acquire a 100% interest in Altai Partners, LLC ("Altai"), a limited liability company operating out of California (the "Altai Acquisition"). Altai has an agreement in place to acquire a 100% 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 a term sheet (the "Agreement") to acquire Walnut 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 shares and the assumption of liabilities. Lineage would have an option to acquire the remaining 49% of Walnut Oaks within six (6) months from closing for share consideration. See Proposed Transactions for details.

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.

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") to acquire membership interests in Walnut Oaks (the "Agris Acquisition"). Pursuant to the Agris Agreement, Lineage would acquire a 100% ownership interest in the Agris Farms facility. See Proposed Transactions for details.

On February 11, 2019, the Company and FLRish entered into a definitive merger agreement (the "Definitive Agreement"). See Subsequent Events for details.

On April 30, 2019, Lineage received conditional approval from the CSE for the Harborside Transaction which will result in a reverse takeover of the Company by FLRish, and the listing for trading of the Subordinate Voting Shares of the resulting issuer to be renamed "Harborside Inc." (the "Resulting Issuer") on the CSE.

Financing Developments

Private Placement Financing

On February 8, 2018, the Company closed the second tranche ("Tranche 2") 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 (1) common share at a price of $0.325 per common share for a period of 24 months after the closing date.

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 (1) common share at a price of $0.325 per common share for a period of 24 months after closing.

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 (1) common share at a price of $0.325 per common share for a period of 24 months after the closing date.

Other Financing Activities

During the year ended January 31, 2019, the Company issued 12,500,000 common shares as a result of the conversion of 2,500 units of the May 2017 offering of convertible debentures (the "Convertible Debentures") at the adjusted conversion price of $0.20.

During the year ended January 31, 2019, 11,012,589 common shares were issued as a result of the exercise of 11,012,589 warrants for total cash proceeds of $1,101,259. All issued shares are fully paid.

During the year ended January 31, 2019, 2,996,667 common shares were issued as a result of the exercise of 2,996,667 options for total cash proceeds of $310,500. All issued shares are fully paid.

Business Acquisition

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) Cash payment of USD $400,000; and

(ii) Issuance of a secured convertible promissory note (the "Secured Convertible Note") in the principal amount of USD $800,000 convertible into common shares of Lineage at a price of CAD $0.35 per share for a term of three (3) years.

Included in the Company's financial results were $679,449 in revenue and $368,598 in net loss before tax attributable to the acquisitions from the date of acquisition to January 31, 2019.

On a pro-forma basis (unaudited), had these acquisitions been completed on February 1, 2018, the Company's total revenue and net loss for the period would have amounted to $1,988,631 and $7,038,684, respectively. Management considers these 'pro-forma' estimates to represent an approximate measure of the performance of the combined company on an annualized basis. The Company did not incur significant transaction-related costs.

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 following table sets forth a preliminary allocation of the purchase price to the assets acquired, based on a preliminary estimate of fair value. The preliminary allocation is subject to adjustment, specifically relate to valuation of intangible assets acquired.

Purchase Price Consideration Paid	
	$
Cash	**519,000**
Fair value of convertible promissory note	**842,301**
Derivative liability component of convertible promissory note	**195,699**
	1,557,000

Net Identifiable Assets Acquired	
	$
Cash	**12,806**
Inventories	**239,447**
Security deposit	**7,268**
Intangible assets	
Brand name	**159,485**
Licenses	**430,546**
Liabilities assumed	**(12,806)**
Deferred tax liability	**(143,670)**
Total net identifiable assets acquired	**693,076**
Goodwill	**863,924**

Outlook and Growth Strategy

Lineage currently operates two (2) 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 preferences are constantly evolving while focusing 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 barriers to entry in the Oregon cannabis industry had led to oversupply, prices of raw cannabis material falling at a rate of a 50% annualized 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 has taken initiatives to protect itself from any potentially adverse impact of cannabis price contraction in Oregon by diversifying into other geographic markets, including California.

While the legislative climate for cannabis remains in flux in the US, the climate has been increasingly positive for investors. 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. If progress with legalization continues in the US, merger & acquisition activity in the US market will increase. Valuations of cannabis assets had seen a decline as stand-alone entities have fewer sources of capital to compete with other big players within the industry. Therefore, Lineage has capitalized on this opportunity by assembling a portfolio of operating companies at accretive valuations with strong 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 (2) 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 (2) dispensaries is in line with this corporate strategy and puts the Company in an advantageous position when structuring transactions to acquire cultivation operations up the value chain.

The OLCC Licenses in Oregon allow for delivery services. Terpene Station is preparing for the launch of these services by defining strategies such as regions of coverage and hours. Delivery, as demonstrated by Eaze, is a rapidly developing segment of the market as customers prefer the comfort of home delivery. The Company had assessed that this particular segment of the market is currently underserved by the existing cannabis retail market.

The Company had devoted a team to develop a subscription model that will enable delivery of a sampler pack comprised of a variety of products. Once implemented, the Company will charge a monthly subscription at price points between USD $50 to $75 to best match our customer preferences. Work has begun with discussions with various partners.

On the retail front, sales had continued to improve as initiatives had taken place to update our menu to promote products at a higher price point versus selling lower-grade flowers. As part of the initiatives, the Company had also installed electronic kiosks inside the stores, which enable customers to self-explore through the menu and watch videos and obtain additional product info such as potency and THC and CBD percentages.

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 four (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 (1) of the premier vertically-integrated cannabis companies in the Bay Area.

State of California – Walnut Oaks Acquisition

Lineage has entered into the Agris Agreement to acquire Walnut Oaks, which operates a fully-licensed and fully-operational 40,500 sq. ft. outdoor cannabis cultivation facility in Yolo County (the "Yolo Grow"). The Yolo Grow is in commercial production with annual production capacity of 16,000 lbs. of unprocessed cannabis.

The Agris Acquisition 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 (2) flagship dispensaries in the Bay Area, a cultivation facility in Salinas, California, and owns the "Harborside" brand. The Harborside 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 retail and high-margin 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 Lineage and FLRish having entered into the Definitive Agreement which, subject to certain conditions and the CSE approval, will result in the reverse takeover of Lineage by Harborside. Following completion of the Harborside Transaction, the resulting issuer is expected to operate under the name "Harborside, Inc." (the "Resulting Issuer").

The Resulting Issuer will integrate and carry on the businesses of FLRish and Lineage as a vertically-integrated, fully-licensed, California-centric cannabis company. The Resulting Issuer's business will have three (3) segments: (i) retail dispensaries, (ii) cultivation, production, and wholesale sales, and (iii) management advisory and administrative services, as follows:

1. Regarding dispensaries, the Resulting Issuer will:
    - Control two (2) dispensaries in California (Harborside Oakland and Harborside San Jose);
    - Own two (2) dispensaries in Oregon (the Terpene Station Dispensaries); and
    - Manage two (2) other dispensaries in California (Harborside San Leandro and Harborside Desert Hot Springs).
2. The Resulting Issuer will operate a cultivation facility at the Salinas Farm in Salinas, Monterey County, California. The facility at Salinas Farm is approximately three (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. The Resulting Issuer will provide management advisory and administrative services to licensed cannabis businesses throughout California, enabling it to generate high margin revenue streams, control shelf-space, increase brand recognition, and further integrate its supply and distribution chains.

The business objectives that the Resulting Issuer 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.

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;
- 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, the Resulting Issuer's vertically-integrated model is well-positioned to gain additional West Coast market share and to achieve and maintain sustainable profitability.

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 (2) 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 May 29, 2019, the Company has not received any notices of violation, denial or non-compliance from any US authorities.

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

Terpene Station

Terpene Station operates as a cannabis retailer in the State of Oregon, and is engaged in the selling of cannabis products such as flower, edibles and oil derivative products, through retail space of more than 5,500 sq. ft. across two locations in southeast Portland and downtown Eugene. The Portland location was the first licensed recreational store in the state and both locations are recognized for their premium product offerings and track record of serving the craft segment of the Oregon cannabis market. The Company completed transfer of the OLCC Licenses to its name upon closing of the Terpene Station Acquisition, which offers an existing base of revenue-generating assets positioned in the adult-use market. The Company has since centralized purchasing decisions for the two (2) dispensaries to improve margins, and has also upgraded the store locations in order to increase sales.

Altai Partners

On March 28, 2018, the Company entered into a LOI to acquire a 100% interest in Altai which operates out of California. Altai has an agreement in place to acquire a 45% interest in LUX, a licensed dispensary operating in San Jose. 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, Altai subsequently entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. LUX currently holds four (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 term sheet to acquire California-based Walnut Oaks d/b/a Agris Farms, which 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 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 (2) 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. 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.

On December 20, 2018, the 2018 Farm Bill was signed by President Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the FCSA. Prior to its enactment, the 2014 Farm Bill allowed Industrial Hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. The Statement of Principles published by the USDA, the DEA and the FDA in 2016 confirmed that state departments of agriculture, and persons licensed, registered, or otherwise authorized by them to conduct research under an agricultural pilot program in accordance with the 2014 Farm Bill, or persons employed by or under a production contract or lease with them to conduct such research, may grow or cultivate Industrial Hemp as part of the agricultural pilot program.

However, although Jeff Sessions has been replaced by President Trump with William Barr, there is still very little clarity as to how President Trump, or Attorney General Barr, will enforce federal law or how they will deal with states that have legalized medical or recreational marijuana. 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. A change in its enforcement policies could impact the ability of the Company to continue as a going concern**. See "Risk Factors".

US Enforcement Proceedings

The US Congress has passed appropriations bills each of the last three (3) 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. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with the Joyce Amendment intact (Section 538). As it stands, the Joyce Amendment will provide the medical marijuana industry with protection against federal prosecution until September 30, 2019.

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 (2) 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."

In March 2019, lawmakers in California had proposed State Senate Bill 51, which is designed to help cannabis businesses that have been shut out from the traditional banking system. Cannabis businesses has dealt predominantly in cash due to continued federal banking restrictions that make it nearly impossible for them to have bank accounts with federally chartered financial institutions. There had also been efforts underway at the federal level to pass

legislation that would allow banks to serve cannabis-related businesses without the risk of being prosecuted. The proposed measure would allow private banks or credit unions to apply for a limited-purpose state charter so they can provide depository services to licensed cannabis businesses. California's legal marijuana industry is struggling to compete with the black market and is facing challenges that include banking access and high taxes.

In May 2019, Attorney General Becerra, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies. 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 (6) 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.

In May 2019, Oregon Attorney General Ellen Rosenblum, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies. 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.

The following represents the portion of certain assets on Lineage's consolidated statements of financial position that pertain to US cannabis activity as of January 31, 2019:

Statement of Financial Position Line Item	Percentage (%) which related to holdings with US marijuana-related activities
Cash	7%
Other receivables	84%
Inventories	100%
Prepaid expenses	47%

Investments	100%
Brand name	100%
Licenses	100%
Goodwill	100%

Overall Performance

Selected Annual Information

The Company's selected financial information as at and for the three (3) most recently completed financial years ended January 31 are summarized as follows:

	January 31, 2019	**January 31, 2018**	**January 31, 2017**
	$	**$**	**$**
Sales	679,449	-	-
Gross margin	131,448	-	-
Operating expenses	(4,166,742)	(1,226,258)	(256,571)
Other expenses	(2,265,003)	(1,365,754)	(15,889)
Net loss	(6,328,604)	(2,592,012)	(272,460)
Loss per share	(0.107)	(0.079)	(0.026)
Total assets	5,293,256	4,528,801	622,334
Total liabilities	4,122,903	4,341,885	189,797
Shareholders' equity	1,170,353	186,916	456,828

Selected Quarterly Financial Results

The Company's selected financial information for the eight (8) most recently completed quarters are as follows:

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**
	$	**$**	**$**	**$**
Sales	488,211	191,238	-	-
Gross margin	61,847	69,601	-	-
Operating loss	(1,920,050)	(710,196)	(802,387)	(602,661)
Other income (expenses)	(1,785,965)	868,084	4,861	(1,351,983)
Net income (loss)	(2,797,409)	157,888	(797,526)	(1,582,828)
Income (loss) per share – basic and diluted	(0.065)	0.003	(0.013)	(0.032)
Working capital (deficiency)	(1,967,590)	2,592,090	2,523,482	4,084,979

	Q4 2018	**Q3 2018**	**Q2 2018**	**Q1 2018**
	$	**$**	**$**	**$**
Sales	-	-	-	-
Gross margin	-	-	-	-
Operating loss	(655,226)	(268,444)	(196,981)	(105,607)
Other expenses	(1,420,742)	(113,131)	148,838	(3,615)
Net loss	(1,909,044)	(381,575)	(29,671)	(109,222)
Loss per share – basic and diluted	(0.058)	(0.012)	(0.001)	(0.003)
Working capital	3,864,610	2,205,312	2,448,167	347,427

Financial Results for the Three Months ended January 31, 2019

Results of Operations

During the three months ended January 31, 2019 ("Q4 2019"), the Company generated sales of $488,211, from the two (2) dispensaries in Oregon acquired under the Terpene Station Acquisition in September of 2018. The gross margin was approximately 12.7%. For the first time in the Company's history, it now owns a vehicle which generates sources of revenue from selling of cannabis products such as flower, edibles and oils. The Company is focused on increasing sales going forward.

During Q4 2019, the Company incurred an operating loss of $1,920,050 (Q4 2018 – operating loss of $655,226). The substantial increase in operating loss in the current quarter is primarily comprised of the following:

- Office and general expenses of $474,334 in Q4 2019 (Q4 2018 – $80,876) related to the increased scope of operations from the Company's acquisition of Terpene Station, where additional expenses such as payroll and taxes were incurred;
- Professional fees of $418,733 in Q4 2019 (Q4 2018 – $194,159) primarily from various legal and professional fees incurred on the on-going Harborside Transaction;
- Stock-based compensation of $526,541 in Q4 2019 (Q4 2018 – $6,727) related to vesting of stock options during the quarter; and
- Allowance for expect credit losses of $365,114 (Q4 2018 – $nil), related to the Walnut Oaks advances.

During Q4 2019, the Company also incurred other expenses of $1,785,965 (Q4 2018 –$1,420,743). Finance costs, comprising of interest and accretion on debentures, totaled $160,846 in Q4 2019 (Q4 2018 – $124,610) and were principally related to the issuance of the Secured Convertible Note issued on completion of the Terpene Acquisition. 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 had significantly reduced from a loss of $1,304,187 in Q4 2018 to a loss of $363,910 in the current quarter. As part of its period-end assessment procedures, the Company recorded am impairment charge of $63,909 (Q4 2018 – $nil) on one (1) of its license value in Oregon, and partially wrote off its investments in Walnut Oaks for $1,658,604 (Q4 2018 – $nil).

Net loss for the three months ended January 31, 2019 was $4,105,993 ($0.066 per share on a basic and diluted basis), as compared to a net loss of $1,909,044 ($0.044 per share on a basic and diluted basis) for Q4 2018.

Cash Flows

Net cash used in operating activities during Q4 2019 was $549,360, as compared to net cash used in operations of $196,680 in Q4 2018. The increase in operating spending was primarily attributed due to the Company's expansion into the US cannabis industry, resulting from the Terpene Acquisition and from the Harborside Transaction.

Net cash provided by financing activities for Q4 2019 was $3,027,610, as a direct result of warrants and options exercised during the quarter for total proceeds of $883,759 and $277,000, respectively, and funds of $2,000,000 received from Harborside in the form of a Bridge Loan, which were slightly offset by the repayments to notes payable of $132,230. In Q4 2018, cash proceeds of $2,005,565 were received from financing activities, comprising of net funds of $1,089,871 received from Tranche 1 of the Concurrent Financing which closed in January 2018, and proceeds of $855,516 in relation to subscription funds from Tranche 2 to 4 of the Concurrent Financing. In Q4 2018, the Company also received proceeds of $60,178 from exercises of warrants.

Net cash used in investing activities for Q4 2019 was $2,186,532, comprised of an advance of $204,042 (USD $151,120) and an investment of $1,990,650 (USD $1,500,000) for an equity stake in Walnut Oaks. During Q4 2018, the Company had not undertaken any investing activities.

Financial Results for the Year ended January 31, 2019

Results of Operations

During Fiscal 2019, the Company generated sales of $679,449, from the two (2) dispensaries in Oregon acquired under the Terpene Station Acquisition. The gross margin was approximately 19.3% for the year. For the first time in the Company's history, it now owns a vehicle which generates sources of revenue from selling of cannabis products such as flower, edibles and oils. The Company is focused on increasing sales going forward into Fiscal 2020.

During Fiscal 2019, the Company incurred an operating loss of $4,166,742 (year ended January 31, 2018 ("Fiscal 2018") – operating loss of $1,226,258. The substantial increase in operating loss in the year is primarily comprised of the following:

- Office and general expenses of $1,038,255 in Fiscal 2019 (Fiscal 2018 – $151,773) related to the increased scope of operations from the Company's acquisition of Terpene Station, where additional expenses such as payroll, rent and taxes were incurred;
- Management and consulting fees of $865,050 in Fiscal 2019 (Fiscal 2018 – $325,951) primarily due to increased consulting activities provided by FMICA for strategic advisory services, and for consulting services provided by its executives, including bonuses of $200,000 paid to the officers of the Company for services provided;
- Professional fees of $819,240 in Fiscal 2019 (Fiscal 2018 – $427,844) primarily from various legal and professional fees incurred on the on-going Harborside Transaction;
- Stock-based compensation of $820,139 in Fiscal 2019 (Fiscal 2018 – $46,912) related to vesting of stock options during the year; and
- Allowance for expect credit losses of $365,114 (Fiscal 2018 – $nil), related to the Altai advances and the investment in Walnut Oaks.

During Fiscal 2019, the Company also incurred other expenses of $2,265,003 (Fiscal 2018 – $1,365,754). Finance costs, comprising of interest and accretion on debentures, totaled $410,322 in Fiscal 2019 (Fiscal 2018 – $146,196) and were principally related to the May 2017 Convertible Debentures. The increase in finance costs was also mainly attributed to the issuance of the Secured Convertible Notes on completion of the Terpene Acquisition. The conversion feature and the warrants component of the Convertible Debentures and the Secured Convertible Note 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 aggregate fair value change had significantly reduced from a loss of $1,227,612 in Fiscal 2018 to a loss of $230,482 in the current year.

During Fiscal 2019, the Company recorded am impairment charge of $63,909 (Fiscal 2018 – $nil) on one (1) of its license value in Oregon, and partially wrote off its investments in Walnut Oaks for $1,658,604 (Fiscal 2018 – $nil).

The Company also recorded an income tax provision of $28,162 at year-end (Fiscal 2018 – $nil).

Net loss for the year ended January 31, 2019 was $6,328,459 ($0.107 per share on a basic and diluted basis), as compared to a net loss of $2,592,012 ($0.079 per share on a basic and diluted basis) for Fiscal 2018.

Cash Flows

Net cash used in operating activities in Fiscal 2019 was $2,872,039, as compared to net cash used in operations of $488,204 in Fiscal 2018. The increase in operating spending was primarily attributed due to the Company's expansion into the US cannabis industry, resulting from the Terpene Acquisition and from the Harborside Transaction.

Net cash provided by financing activities for Fiscal 2019 was $4,335,384, as a direct result of warrants and options exercised during the year for total proceeds of $1,101,259 and $310,500, respectively, and funds of $2,000,000 received from Harborside in the form of a Bridge Loan, which were slightly offset by the repayments to notes payable of $132,230. In Fiscal 2018, net proceeds of $1,945,387 were received from equity financing activities,

while it also raised proceeds of $2,500,000 from the May 2017 offering of Convertible Debentures. In Fiscal 2018, the Company also received proceeds of $63,299 from exercises of warrants.

Net cash used in investing activities for Fiscal 2019 was $5,265,130, comprised of payment of $519,000 incurred from the Terpene Acquisition, advances of $2,155,490 (USD $1,650,000) made to Altai, and total investments of $2,590,838 (USD $1,951,200) in Walnut Oaks. In Fiscal 2018, the Company had not undertaken any 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 additional 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, 2019, the Company had total assets of $5,293,256, total liabilities of $4,122,903 and total shareholders' equity of $1,170,353. 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 year, while the increase in equity is related to the conversion of debentures, and closing of the various Tranches of the Concurrent Financings which closed in February 2018.

As at January 31, 2019, the Company had total current assets of $1,072,369 (January 31, 2018 – $4,528,801), including cash of $578,528 (January 31, 2018 – $4,347,368) to settle current liabilities of $3,039,959 (January 31, 2018 – $664,191), for a net working capital deficiency of $1,967,590 (January 31, 2018 – working capital of $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 year end.

Related Party Transactions and Key Management Compensation

Key management personnel compensation

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

On October 15, 2010, 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 is a director and whereas his minor children hold an indirect interest. For the year ended January 31, 2019, the Company was charged $232,333 (2018 – $159,000) for advisory consulting services provided by FMICA. As at January 31, 2019, no balance was owed to FMICA (January 31, 2018 – 87,033; included in accounts payable and accrued liabilities).

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 year ended January 31, 2019, the CEO was paid $94,720 (2018 – $nil) for CEO consulting services provided to the Company and a management bonus of $40,000 (2018 – $nil), which are included in management and consulting fees. As at January 31, 2019, an amount of $3,380 (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.

Upon closing of the Concurrent Financing in February 2018, the Company and Branson Corporate Services Ltd. ("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 year ended January 31, 2019, the Company was charged $110,605 (2018 – $87,950) for services provided by Branson. As at January 31, 2019, no balance was owed to Branson (January 31, 2018 – $15,000; included in accounts payable and accrued liabilities).

During the year ended January 31, 2019, the Company also paid a management bonus of $10,000 (2018 – $nil) to the CFO of the Company. As at January 31, 2019, an amount of $4,074 (January 31, 2018 – $nil) owing to the CFO for reimbursement of expenses 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, 2019, the Company recorded fees of $225,125 (2018 – $64,000), including a bonus of $150,000 (2018 – $nil) paid upon the Company securing its listing on the CSE, for services rendered by a former officer to the Company, which are included in management and consulting fees. As at January 31, 2019, no balance was owed to the former officer (January 31, 2018 – $80,825; included in accounts payable and accrued liabilities).

During the year ended January 31, 2019, officers and directors of the Company received stock-based compensation of $575,819 (2018 – $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 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 two (2) years;
- Tranche 3: Finder's fee of $12,800 and 51,200 finders' warrants exercisable at $0.25 for two (2) years; and
- Tranche 4: Finder's fee of $4,500 and 18,000 finders' warrants exercisable at $0.25 for two (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.

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.

On November 30, 2018, the Company and Quinsam agreed to terminate 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. Keith Li is also the CFO of Quinsam.

Conversion of Convertible Debentures

During the year ended January 31, 2019, the following related parties have converted their Convertible Debentures:

- $160,000 was converted by Quinsam into 800,000 common shares of the Company and accumulated interest of $9,600 into 48,000 common shares of the Company at $0.20 per share.
- A former officer of the Company converted $25,000 principal into 125,000 common shares of the Company at $0.20 per share.

The Convertible Debentures held by related parties were subscribed in prior year and there were no outstanding Convertible Debentures as of January 31, 2019

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 January 31, 2019, the Company's capital consists of share capital, conversion component of convertible debentures, reserve in warrants, reserve in share-based payments, accumulated other comprehensive income and accumulated deficit, in the amount of $1,170,353 (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 years ended January 31, 2019 and 2018.

The Company is not subject to externally imposed capital requirements.

Financial Instrument Risks

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivables, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is primarily 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 included in cash and other receivables is minimal.

The loss allowance at January 31, 2019 determined under IFRS 9 was as follows:

	Receivable from Keystone Frequency	Advances and promissory notes to Altai Partners	Investments in Walnut Oaks, LLC	Total
	$	$	$	$
Balance prior to ECL allowance	262,880	2,258,211	592,952	3,114,043
Projected loss rate	0%	10%	25%	n/a
12-month ECL allowance	-	216,876	148,238	365,114
Balance as at January 31, 2019, net of allowance	**262,880**	**2,041,335**	**444,714**	**2,748,929**

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, 2019, the Company had a cash balance of $578,528 (January 31, 2018 – $4,347,368) to settle current liabilities of $3,039,959 (January 31, 2018 – $664,191).

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at January 31, 2019, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	532,354	-	-	532,354
Convertible debentures	73,141	-	-	73,141
Derivative liabilities	289,693	-	-	289,693
Notes payable	2,116,773	-	-	2,116,773
Convertible notes payable	-	937,397	-	937,397
	3,011,961	**937,397**	**-**	**3,949,358**

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.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a 12-month period:

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable, investments and advances, accounts payable and accrued liabilities, notes payable and convertible promissory notes that are denominated in USD. A 10% change in either direction of the USD exchange rate would have changed the net income by approximately $195,785.

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 majority of the Company's debts have fixed interest rates. As at January 31, 2019, the Company had no hedging agreements in place with respect to floating interest rates.

Significant Accounting Judgments and Estimates

The preparation of the Company's 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 as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

Business combination

In a business acquisition, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the acquisition date at their respective fair values. The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the acquirer might obtain control on a date that is either earlier or later than the closing date. Management exercises judgment in considering all pertinent facts and circumstances in identifying the acquisition date.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or an asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

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. Licenses and trade names have an indefinite useful life and are tested for impairment annually.

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (the "Cash-Generating Unit or "CGU") can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company had identified the retail cannabis dispensaries as separate CGUs, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

Impairment

Long-lived assets, including property and equipment and intangible assets are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an

impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

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.

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.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Derivative liabilities

The conversion feature and the warrants component of convertible debentures and convertible note payable 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 and convertible note payable 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.

Summary of Significant Accounting Policies

Cash

Cash comprises bank balances held in Canadian chartered banks, funds held in trust with the Company's legal counsel which is available on demand, and cash held at the location of the Company's two (2) dispensaries in Oregon.

Revenue with Customers

The Company's policy for the timing and amount of revenue to be recognized is based on the following 5-step process:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue is recognized at the fair value of consideration received. Net revenue from sale of goods, as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts. The Company's sales of cannabis and related merchandise and other products consist of one (1) performance obligation. The Company has concluded that revenue from the sale of products should be recognized at the point in time when control is transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer.

On adoption of this accounting policy during the year, there were no transitional adjustments as the Company did not have any revenues in the prior year

Inventories

Inventories are measured at the lower of cost and net realizable value. The Company measures inventory cost using specific identification for its retail inventories. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company reviews inventories for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

Expected credit loss impairment model

IFRS 9 – Financial Instruments ("IFRS 9") introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had no significant impact on the Company's consolidated financial statements. The adoption of the ECL impairment model had resulted in a provision of ECL recorded on the Company's consolidated statement of loss and comprehensive loss.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

The Company's classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9	IAS 39
	Classification	**Measurement**
Cash	FVTPL	Amortized cost
Other receivables (excluding sales tax recoverable)	Amortized cost	Amortized cost
Investments and advances	Amortized cost / cost / FVTPL	Amortized cost / FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	FVTPL

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).

For investments classified in level 3, the fair value was determined based on implied enterprise value of the investee by referring to values of comparable entities.

	Fair value as at January 31, 2019 (under IFRS 9)			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	578,528	-	-	578,528
Investment	-	-	312,996	312,996
Derivative liabilities	-	289,693	-	289,693
	578,528	**289,693**	**312,996**	**1,181,217**

	Fair value as at January 31, 2018 (under IAS 39)			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Derivative liabilities	-	1,510,831	-	1,510,831
	-	**1,510,831**	**-**	**1,510,831**

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 effective interest 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 effective interest 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.

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 over the estimated useful lives as follows:

Brand name	Straight-line basis over 4 years
Licenses	Indefinite life
Goodwill	Indefinite life

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.

Impairment on goodwill is determined 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.

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, 2019 and 2018, the Company had no material provisions.

Income Taxes

Internal Revenue Code 280E Provision

The Company's US subsidiaries will be treated for US federal income tax purposes under US Internal Revenue Code ("IRC") Section 7874 and be subject to US federal income tax. Certain of these subsidiaries are subject to IRC Section 280E. This section disallows deductions and credits attributable to a trade or business of trafficking in controlled substances. Under US laws, marijuana is a Schedule 1 controller substance under the US Federal Controlled Substances Act.

Income tax expense consists of 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 other comprehensive income (loss).

Current income 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 income 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 future recovery is probable. At each reporting period-end, 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.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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, 2019 and 2018, 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. On expiry, the recorded fair value of the options is transferred to share capital.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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 its Canadian subsidiaries is the Canadian Dollar ("$" or "CAD"), which is the presentation currency of the consolidated financial statements. The functional currency of all subsidiaries incorporated in the US is the 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 profit or 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 income (loss).

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in 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, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of the new standards on the Company's consolidated financial statements:

IFRS 9 – Financial Instruments

As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative period results. As such, all comparative period information is presented in accordance with the previous accounting policies. Adjustments to the carrying amounts of financial assets and liabilities, at the date of initial application have been recognized in opening deficit and other components of equity for the current period. New or amended interim disclosures have been provided for the current period, where applicable, while comparative period disclosures are consistent with those made in prior periods.

Effective February 1, 2018, the Company adopted all the requirements of IFRS 9 and the related consequential amendments to IFRS 7 – Financial Instruments: Disclosures. IFRS 9 introduces new requirements for:

- Classification and measurement of financial assets and financial liabilities,
- Impairment for financial assets and
- General hedge accounting, which represent a significant change from IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, such that the Company's accounting policy with respect to financial liabilities is unchanged. IFRS 9 contains three (3) principal classification categories for financial assets: measured at amortized cost ("AMC"), FVTOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

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

The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. On adoption of IFRS 15, there were no transitional adjustments as the Company did not have any revenues in the prior year.

IFRS 15 replaces IAS 18 – Revenue and establishes a single 5-step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15 the core principles of revenue recognition are to identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price and recognize revenue when the entity satisfies the performance obligation. IFRS 15 requires the transaction price to be allocated to each separate performance obligation in proportion to the stand-alone selling price. In addition, variable consideration should only be recognized

to the extent that is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur.

Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee ("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.

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.

On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 will not be reassessed for whether a lease exists. The Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at February 1, 2019, without restating comparatives. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Company has reviewed all of its leasing arrangements outstanding as at January 31, 2019, in respect of the new lease standard. The standard will primarily affect the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of approximately $792,474. The Company intends to apply the simplified transition approach and will not restate comparative amounts to the year prior to adoption. In respect of these lease commitments, the Company expects to recognize right-of-use assets and lease liabilities of approximately $564,191, respectively, as at January 1, 2019. The Company expects that profit or loss will decrease for the year ending January 31, 2020 as a result of the application of IFRS 16.

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 IFRIC 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.

Commitments and Contingencies

On February 22, 2017, the Company entered into a LOI with NHII, whereby the Company was to build medical and adult-use cannabis cultivation facilities in Henderson, Nevada and Pueblo, Colorado ("Proposed Transaction"). As part of the Proposed Transaction, 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, Lineage was to issue between 1,000,000 to 3,000,000 common shares to NHII.

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.

(v) NHII has agreed to enter into the Put Option Agreement in exchange for:

1. Issuance of 1,250,000 common shares of the Company (issued on March 7, 2018);
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 (paid on January 25, 2019); 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.

On March 7, 2018, the Company issued 1,650,000 common shares valued at $254,606, 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 common shares was expensed as share-based payments in the consolidated statements of loss and comprehensive loss.

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.

On January 25, 2019, the Company terminated the LOI with NHII, and issued 454,545 Common shares to settle the $75,000 lump-sum cash payment stipulated in the LOI.

Mt. Baker

On January 31, 2018, the Company entered into definitive agreements (the "Mt. Baker Agreements") with Mt. Baker, a Tier 2 licensed cannabis producer processor in the State of Washington. 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 was also to provide services to assist in redesigning Mt. Baker's grow facility, implementing growing methodologies, training of personnel and other advice as requested.

On November 26, 2018, the Company terminated the Mt. Baker Agreements, and notified Mt. Baker of the termination of the Agreements effective as of October 31, 2018.

Lease commitments

The Company entered into two (2) lease agreements for the cannabis retail dispensaries located in Portland and Eugene, California. As at January 31, 2019, the Company is committed to minimum annual lease payments for its Long Beach facility as follows:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	$	$	$	$
Lease obligations	792,474	121,357	376,250	294,868

Proposed Transactions

Altai Partners, LLC

On March 28, 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 has an agreement in place to acquire a 45% interest in Lucrum Enterprises Inc., d/b/a 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. Under the terms of the Altai Acquisition, Lineage 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 (4) cash payments to LUX shareholders of USD $300,000 each, beginning April 28, 2018 and ending December 30, 2018.

As at January 31, 2019, the Company had advanced total funds of $2,155,490 (USD $1.65 million) to Altai, comprised of (a) total advances of $1,174,440 (USD $900,000) from three (3) separate cash payments of USD $300,000, and (b) funds of $981,050 (USD $750,000) in the form of two (2) promissory notes, issued at USD $250,000 and USD $500,000, respectively. These promissory notes will become a loan to subsidiary after completion of the Altai Acquisition. Should the Altai Acquisition not ultimately close, the advances will be repaid to the Company.

As at January 31, 2019, the total advances made to Altai were recorded at an amortized cost of $2,041,335 (January 31, 2018 – $nil), net of an allowance for ECL $216,876 (2018 – $nil).

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, LLC

On June 12, 2018, the Company entered into a term sheet (the "Term Sheet") to acquire California-based Walnut Oaks d/b/a Agris Farms. Walnut Oaks operates a craft cannabis cultivation facility in Yolo County in Northern California. Pursuant to the Term Sheet, 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 shares and the assumption of liabilities. Lineage would have an option to acquire the remaining 49% of Walnut Oaks within six (6) months from closing for share consideration.

On November 20, 2018, the Company, through its 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 Acquisition"). Pursuant to the Agris Agreement which superseded the Term Sheet, Lineage would acquire a 100% ownership interest in Walnut Oaks. The aggregate purchase price payable under the Agris Acquisition is as follows:

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

  (i) An amount of USD $2,148,880 payable on closing 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 which is to be settled as follows:

  - USD $451,120 payable in cash which had been paid;
  - USD $1,000,000 convertible on closing, into Lineage common shares at a price of $0.165 per share; and
  - USD 1,500,000 which, on closing, Lineage will assume as a subordinate note owing to a third-party lender who will be granted a put option by Lineage in favor of the holder where the note holder can choose to convert the subordinate note into a Lineage note convertible into a unit

consisting of one (1) Lineage common share and one-half (1/2) of a warrant with a conversion price of $0.19 per share and a warrant exercise price of $0.25 per share. On closing, the third-party will have a general security interest over all assets of Walnut Oaks.

(iii) A cash investment into Walnut Oaks in the amount of USD $1,500,000 of which $316,020 (USD $238,128) was subscription for the purchase of 698.17 membership units (approximately 6.53%) of Walnut Oaks and the excess of $1,658,604 (USD $1,261,872) as advances. Subsequently, these advances were written down as their recoverability was uncertain.

(b) The sellers may also be entitled to receive an earn-out payment equal to six (6) times of any EBITDA in excess of USD $1.1 million.

As at January 31, 2019, additional advances were made to Walnut Oaks were recorded at an amortized cost of $444,714, net of an allowance for ECL of $148,238 (2018 – $nil).

As at January 31, 2019, the total investments made to Walnut Oaks were recorded at $312,996 (2018 – $nil).

Closing of the Agris Acquisition is subject to various conditions, including the approval of Yolo County for the transfer of cultivation license, and required approvals and consents.

Harborside

On August 12, 2018, the Company and FLRish Inc. ("FLRish"), a California corporation d/b/a 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.

On February 11, 2019, the Company and FLRish entered into a definitive merger agreement (the "Definitive Agreement").

Off-Balance Sheet Arrangements

As at January 31, 2019 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

Harborside Transaction

On February 11, 2019, Lineage and FLRish entered into the Definitive Agreement, whereby the Harborside Transaction is being structured as a three-cornered merger (the "Merger"), whereby Harborside will merge with a newly incorporated company under the laws of Delaware (and a direct, wholly-owned subsidiary of Lineage) to form a merged corporation. Immediately prior to the Merger taking effect, Lineage will consolidate its outstanding common shares on the basis of 41.82 common shares into one (1) new Consolidated Common Share, exchange the Consolidation Common Shares for subordinate voting shares (the "Subordinate Voting Shares") on a 1 for 1 basis.

On April 30, 2019, Lineage received conditional approval from the CSE for the Harborside Transaction which will result in a reverse takeover of the Company by FLRish, and the listing for trading of the Subordinate Voting Shares of the resulting issuer to be renamed "Harborside Inc." (the "Resulting Issuer") on the CSE.

Listing of the Resulting Issuer securities will be subject to satisfaction of all conditions of the CSE, including completion of any and all outstanding CSE application documentation and payment of fees pursuant to the Policies, completion of the Business Combination, filing an updated final listing statement, and no material adverse changes reflected in the final listing statement from the draft listing statement.

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.

Special shares

On May 24, 2019, Lineage's board approved and paid a stock dividend to holders of common shares of record on May 23, 2019. The following shares were authorized and issued:

- 44,775,010 Series A Special Shares;
- 11,513,533 Series B Special Shares; and
- 14,072,120 Series C Special Shares.

Options, warrants and convertible debentures

Subsequent to January 31, 2019, 354,384 common shares of the Company were issued as a result of the conversion of the SIDEX Debentures at the conversion price of $0.20.

Subsequent to January 31, 2019, 333,333 warrants exercisable at $0.20 and 10,400,000 warrants exercisable at $0.25 expired unexercised, respectively.

Disclosure of Outstanding Share Data as of May 29, 2019

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited number of common shares	75,997,868 common shares; 44,775,010 Series A Special Shares; 11,513,533 Series B Special Shares; and 14,072,120 Series C Special Shares.
Securities convertible or exercisable into voting or equity		a) 12,907,664 warrants exercisable to acquire common shares of the Company; and b) 5,613,333 outstanding stock options, of which 4,150,000 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 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, 33 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. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with the Joyce Amendment intact (Section 538). As it stands, the

Joyce Amendment will provide the medical marijuana industry with protection against federal prosecution until September 30, 2019.

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 IRC 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.

Dependence on suppliers and skilled labor

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 labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, 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.

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).

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.

Limited market for securities

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

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

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the Shares and Warrants may be due to the Company's operating results 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.

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 USD. The Company's financial

results are reported in CAD and costs are incurred primarily in USD in its cannabis retail segment. The depreciation of the CAD against the USD 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.

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 audited 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 audited consolidated financial statements; and (ii) the audited 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 MD&A. The audited 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 MD&A is consistent with that contained in the audited consolidated financial statements in all material aspects.

The Audit Committee has reviewed the audited consolidated financial statements and this MD&A with management of Aura. The Board has approved the audited consolidated financial statements and this MD&A on the recommendation of the Audit Committee.

May 29, 2019

Peter Bilodeau
Chief Executive Officer