UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Lineage Grow Company Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

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

	Note	As at April 30, 2019 $	As at January 31, 2019 $
Assets			
Current Assets			
Cash		**370,587**	578,528
Other receivables		**32,456**	321,035
Inventories	6	**112,919**	112,674
Prepaid expenses	7	**26,072**	60,132
Total Current Assets		**542,034**	1,072,369
Non-Current Assets			
Investments and advances	8	**3,086,315**	2,799,045
Right-of-use assets	9	**593,641**	-
Intangible assets	4, 10	**558,269**	546,666
Goodwill	4, 10	**893,753**	875,176
Total Assets		**5,674,012**	5,293,256
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	11	**656,427**	532,354
Convertible debentures - current	12	**-**	73,141
Derivative liabilities	12	**182,106**	289,693
Note payable - current	13	**2,108,493**	2,116,773
Lease payable - current	14	**55,096**	-
Tax payable		**131,050**	27,998
Total Current Liabilities		**3,133,172**	3,039,959
Non-Current Liabilities			
Convertible notes payable	12	**1,015,876**	937,397
Lease payable	14	**539,775**	-
Deferred tax liability		**157,070**	145,547
Total Liabilities		**4,845,893**	4,122,903
Shareholders' Equity			
Share capital	15	**13,022,090**	12,939,533
Conversion component of convertible debentures	12	**-**	8,824
Reserve for warrants	16	**1,659,898**	1,659,898
Reserve for share-based payments	17	**820,301**	782,960
Accumulated other comprehensive (loss) income		**(62,909)**	28,627
Accumulated deficit		**(14,611,261)**	(14,249,489)
Total Shareholders' Equity		**828,119**	1,170,353
Total Liabilities and Shareholders' Equity		**5,674,012**	5,293,256

Nature of operations (Note 1)
Commitments and contingencies (Note 21)
Subsequent events (Note 23)

Approved on behalf of the Board of Directors:

"Peter Bilodeau" (signed)
Director

"Adam Szweras" (signed)
Director

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

LINEAGE GROW COMPANY LTD.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	**Three months ended April 30, 2019**	Three months ended April 30, 2018
		$	$
Sales		**528,919**	-
Cost of goods sold	6	**(312,258)**	-
Gross margin		**216,661**	-
Expenses			
Management and consulting fees	18	**128,561**	293,080
Professional fees	18	**211,873**	72,829
Stock-based compensation	17	**37,341**	4,641
Share-based payments	15, 21	**-**	80,000
Office and general		**183,114**	151,677
Amortization	9	**22,507**	-
		(583,396)	(602,227)
Loss before the Undernoted		**(366,735)**	(602,227)
Interest and other income		**26,452**	5,190
Fair value change in derivative liabilities	12	**110,138**	(832,293)
Finance costs	12, 13	**(130,291)**	(153,064)
Miscellaneous		**(1,336)**	(434)
Net Loss		**(361,772)**	(1,582,828)
Other Comprehensive loss			
Exchange loss on translation of foreign operations		**(91,228)**	(39)
Total Comprehensive Loss		**(453,000)**	(1,582,867)
Weighted Average Number of Shares Outstanding			
Basic and diluted		**75,834,612**	49,691,574
Net Loss per Share			
Basic and diluted		**(0.005)**	(0.032)

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three months ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	**Three months ended April 30, 2019**	Three months ended April 30, 2018
		$	$
Operating Activities			
Net loss for the period		**(361,772)**	(1,582,828)
Adjustments to reconcile net loss to cash flow			
Finance costs	12, 13	**130,291**	153,064
Fair value changes in derivative liabilities	12	**(110,138)**	832,293
Stock-based compensation	17	**37,341**	4,641
Share-based payments	15, 21	**-**	80,000
Amortization	9	**22,507**	-
Interest on promissory notes receivable		**(9,744)**	-
		(291,515)	(512,830)
Changes in non-cash working capital:			
Other receivables	5	**288,579**	(57,449)
Inventories	6	**(245)**	-
Prepaid expenses	7	**34,060**	(308,774)
Accounts payable and accrued liabilities	11	**124,073**	(313,095)
Income tax payable		**103,052**	-
Cash Flows Provided by (Used in) Operating Activities		**258,004**	(1,192,148)
Financing Activities			
Proceeds from private placements	15	**-**	991,900
Share issue costs	15	**-**	(132,256)
Repayments of notes payable	13	**(69,031)**	-
Payments on leases	14	**(18,066)**	-
Proceeds from exercise of warrants	15	**-**	17,500
Cash Flows (Used in) Provided by Financing Activities		**(87,097)**	877,144
Investing Activities			
Advances made on Altai Acquisition	8	**(200,625)**	(1,349,430)
Cash Flows (Used in) Investing Activities		**(200,625)**	(1,349,430)
Decrease in cash		**(29,718)**	(1,664,434)
Effects of foreign exchange on cash		**(178,223)**	(39)
Cash, beginning of period		**578,528**	4,347,368
Cash, end of period		**370,587**	2,682,895

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

LINEAGE GROW COMPANY LTD.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Shares to be Issued	Conversion Component of Convertible Debentures	Warrants	Share-Based Payments	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	#	$	$	$	$	$	$	$	$
Balance, January 31, 2018	**38,397,110**	**5,692,180**	**1,110,122**	**8,824**	**1,223,176**	**72,638**	**(7,921,030)**	**1,006**	**186,916**
Issued for cash consideration:									-
Private placement (Note 15)	7,389,665	1,847,416	(855,516)	-	-	-	-	-	991,900
Warrants issued on private placement (Note 16)	-	(683,287)	-	-	683,287	-	-	-	-
Finder's warrants issued on private placement (Note 16)	-	-	-	-	70,196	-	-	-	70,196
Share issuance costs (Notes 15 & 16)	-	(127,552)	-	-	(74,901)	-	-	-	(202,453)
Warrants exercised (Note 15)	175,000	20,825	-	-	(3,325)	-	-	-	17,500
Issued for non-cash consideration:									
Issued for put-option agreement (Note 15)	1,650,000	602,250	(254,606)	-	-	-	-	-	347,644
Issued for consulting fees (Note 15)	320,000	80,000	-	-	-	-	-	-	80,000
Issued on conversion of debentures (Notes 13 & 15)	6,400,000	2,099,750	-	-	-	-	-	-	2,099,750
Warrants expired (Note 16)	-	28,292	-	-	(28,292)	-	-	-	-
Stock-based compensation (Note 17)	-	-	-	-	-	4,641	-	-	4,641
Exchange loss on translating foreign operation	-	-	-	-	-	-	-	(39)	(39)
Net loss for the period	-	-	-	-	-	-	(1,582,828)	-	(1,582,828)
Balance, April 30, 2018	**54,331,775**	**9,559,874**	**-**	**8,824**	**1,870,141**	**77,279**	**(9,503,858)**	**967**	**2,013,227**
Balance, January 31, 2019	**75,643,484**	**12,939,533**	**-**	**8,824**	**1,659,898**	**782,960**	**(14,249,489)**	**28,627**	**1,170,353**
Issued for non-cash consideration:									
Issued on conversion of debentures (Notes 12 & 15)	354,384	82,557	-	(8,824)	-	-	-	-	73,733
Warrants expired (Note 16)	-	-	-	-	-	-	-	-	-
Stock-based compensation (Note 17)	-	-	-	-	-	37,341	-	-	37,341
Exchange loss on translating foreign operation	-	-	-	-	-	-	-	(91,536)	(91,536)
Net loss for the period	-	-	-	-	-	-	(361,772)	-	(361,772)
Balance, April 30, 2019	**75,997,868**	**13,022,090**	**-**	**-**	**1,659,898**	**820,301**	**(14,611,261)**	**(62,909)**	**828,119**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lineage Grow Company Ltd. ("Lineage" or the "Company") operates two (2) retail dispensaries in the State of Oregon in the United Stated (the "US") (see Note 4 for details). The Company is 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 cultivation, brands, distribution, and retail assets in legalized cannabis markets across multiple jurisdictions in the US and Canada.

On May 30, 2019, Lineage and FLRish, Inc. ("FLRish"), a corporation governed under the laws of California d/b/a Harborside, completed a reverse takeover transaction ("RTO Transaction"), whereby the shareholders of FLRish hold a majority of the outstanding common shares of the resulting entity (the "Resulting Issuer"). Pursuant to the terms of the merger agreement (the "Merger Agreement"), Lineage consolidated its common shares on the basis of approximately 41.82 common shares into one (1) new common share (the "Consolidation") which were reclassified as post-Consolidation common shares as subordinate voting shares. Concurrent with the closing of the RTO Transaction, the Company changed its name to Harborside Inc. to continue on with the business of FLRish and Lineage combined. See Note 23 for details.

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

As at April 30, 2019, the Company had a working capital deficiency of $2,591,138 (January 31, 2019 – working capital of $1,967,590) has not yet achieved profitable operations, has accumulated losses of $14,611,261 (January 31, 2019 – $14,249,489), and expects to incur further losses in the retail dispensaries in Oregon, all of which cast significant doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs in the cannabis industry, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

The Company's unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended January 31, 2019.

These unaudited condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on July 2, 2019.

2. BASIS OF PRESENTATION (continued)

2.2 Basis of Measurement

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

The accounting policies in these financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended January 31, 2019, except for the adoption of new accounting standards identified in Note 3.

2.3 Basis of Consolidation

These unaudited condensed interim consolidated financial statements incorporate the accounts of Lineage and its wholly-owned subsidiaries (collectively the "Company"):

	Jurisdiction
Lineage Grow Company Ltd.	Ontario, Canada
Lakeside Minerals Corp.	Ontario, Canada
Unite Capital Corp.	Ontario, Canada
LGC Holdings USA, Inc.	Nevada, US
LGC Real Estate Holdings, LLC	Nevada, US
LGC Real Estate (Colorado), LLC	Nevada, US
LGC Operations, LLC	Nevada, US
Lineage GCL Oregon Corporation	Oregon, US
LGC LOR DIS 1, LLC	Oregon, US
LGC LOR DIS 2, LLC	Oregon, US
Lineage GCL California, LLC	California, US
Lineage Merger Sub Inc.	Delaware, US

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

2.4 Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in 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.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the unaudited condensed interim 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. 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 (each a "Cash-Generating Unit or a "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 has identified each retail cannabis dispensary as a separate CGU, 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 unaudited condensed interim consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

2. BASIS OF PRESENTATION (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Income taxes (continued)

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with officers 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 will affect the fair value estimates.

Expected credit losses on financial assets

Determining an allowance for expected credit losses 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 and warrant component 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied by the Company in its audited consolidated financial statements as at and for the year ended January 31, 2019, unless otherwise noted below.

3.1 Adoption of New Accounting Policies

The Company adopted the following standards, effective February 1, 2019. These changes were made in accordance with the applicable transitional provisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Adoption of New Accounting Policies (continued)

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 (“RUA”) 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.

The Company has applied IFRS 16 with an initial application date of February 1, 2019, in accordance with the transitional provisions specified in IFRS 16. The Company applied the simplified transition approach and did not restate comparative amounts to the year prior to adoption. In respect of these lease commitments, the Company recognized right-of-use assets of approximately $601,261, current lease liabilities of $52,595 and non-current lease liabilities of $548,666 as at February 1, 2019.

The following accounting policy is applicable from February 1, 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. Leases are recognized as a RUA and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company’s incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. Finance costs are charged to profit or loss over the lease term.

The lease liability is measured at amortized cost using the effective interest method. The RUA is initially measured at cost, which comprises the initial amount of the lease liability any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. Amortization is recorded on RUA on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The RUA may be adjusted for certain remeasurements of the lease liability and impairment losses.

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 IFRS Interpretations Committee (“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. On adoption of IFRIC 23, the Company had assessed that there was no material impact on its unaudited condensed interim consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and IFRIC had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after February 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on the Company's unaudited condensed interim consolidated financial statements. No material impact is expected upon the adoption of the following new standards:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

4. BUSINESS ACQUISITION

On September 26, 2018, the Company acquired the assets (the "Terpene Station Acquisition") of Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co. d/b/a Terpene Station Portland which operate under the "Terpene Station" brand name ("Terpene Station"), an Oregon-based cannabis retailer engaged in the selling of cannabis products such as flower, edibles and oils. Goodwill of $863,924, is not tax deductible, and was recognized due to the expected synergies from combining operations of Terpene Station and the Company. 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 related to the Terpene Station Acquisition, the aggregate purchase price payable by the Company consisted of:

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

(ii) Issuance of two (2) secured convertible promissory notes (the "Secured Convertible Notes") in the principal amounts of USD $400,000 each, convertible into common shares of Lineage at a price of CAD $0.35 per share for a term of three (3) years from the date of issuance (see Note 12 for details).

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 Allocation

Purchase Price Consideration Paid	
	$
Cash	**519,000**
Fair value of convertible promissory notes (Note 12)	**842,301**
Derivative liability component of convertible promissory notes	**195,699**
	1,557,000

4. BUSINESS ACQUISITION (continued)

Purchase Price Allocation (continued)

Net Identifiable Assets Acquired	
	$
Cash	**12,806**
Inventories	**239,447**
Security deposit	**7,268**
Intangible assets	**590,031**
Liabilities assumed	**(12,806)**
Deferred tax liability	**(143,670)**
Total net identifiable assets acquired	**693,076**
Goodwill	**863,924**

5. OTHER RECEIVABLES

	April 30, 2019	January 31, 2019
	$	$
Sales tax receivables (i)	**25,826**	51,663
Other receivables (ii)	**6,630**	269,372
	32,456	321,035

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

(ii) During the year ended January 31, 2019, the Company signed a Letter of Intent ("LOI") with a third-party to develop a medical marijuana facility in the State of Pennsylvania, under which USD $200,000 was advanced to the third-party, and was included in other receivables. As the necessary permits were not obtained, the advance was due to be returned to the Company. As at April 30, 2019, the amount had been fully collected.

6. INVENTORIES

As at April 30, 2019, the Company's inventories consisted of finished goods and products located at the Terpene Station dispensaries. During the three months ended April 30, 2019, inventories of $312,258 (2018 – $nil) were expensed and included in cost of goods sold.

As at April 30, 2019, inventories were recorded at the lower of cost and net realizable value.

7. PREPAID EXPENSES

As at April 30, 2019, prepaid expenses consisted of the following:

	April 30, 2019	January 31, 2019
	$	$
Insurance and rent	**9,764**	5,062
Advances made to suppliers and consultants	**4,292**	41,355
Others	**12,016**	13,715
	26,072	60,132

8. INVESTMENTS AND ADVANCES

Altai Partners, LLC

On March 28, 2018, the Company entered into a binding LOI to acquire a 100% interest in Altai Partners, LLC ("Altai"), a limited liability company operating out of California (the "Altai Acquisition"). Altai had an agreement in place, dated March 15, 2018, to acquire a 45% interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary ("LUX"), a licensed dispensary operating in San Jose, California.

On March 28, 2018, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Accordingly, Lineage will acquire an indirect 100% ownership interest in LUX through its purchase of a 100% interest in Altai. The purchase price for the Altai Acquisition is USD $5,400,000, payable on or prior to closing, comprised of:

(a) USD $1,950,000 payable in cash; and

(b) USD $3,450,000 payable by the issuance of common shares in the capital of Lineage priced at USD $0.20 per common share.

In addition, pursuant to the terms of the Altai Acquisition:

(c) USD $750,000 will be lent to Altai under promissory notes bearing at 12% annual interest. The promissory notes will become loans to subsidiary after completion of the Altai Acquisition; and

(c) 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.

As at April 30, 2019, the Company had advanced total funds of $2,356,115 (USD $1.80 million) (January 31, 2019 – $2,155,490 (USD $1.65 million)) to Altai, comprised of:

(i) Total advances of $1,375,065 (USD $1,050,000) (January 31, 2019 – $1,174,440 (USD $900,000)); and

(ii) 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 April 30, 2019, the total advances made to Altai were recorded at an amortized cost of $2,315,522 (January 31, 2018 – $2,041,335).

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, LLC d/b/a Agris Farms ("Agris Farms"). Agris Farms operates a craft cannabis cultivation facility in Yolo County in Northern California. Pursuant to the Term Sheet, Lineage would acquire a 51% interest in Agris Farms 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 Agris Farm 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 (the "Agris Agreement") to acquire a 100% ownership interest in Agris Farm (the "Agris Acquisition"). The Agris Agreement superseded the Term Sheet in its entirety.

8. INVESTMENTS AND ADVANCES (continued)

Walnut Oaks, LLC (continued)

The aggregate purchase price payable under the Agris Acquisition is USD $6,600,000 payable on closing, comprised of:

(a) 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;

(b) The assumption of liabilities in the aggregate amount of USD $2,951,120 which is to be settled as follows:

  (i) USD $451,120 payable in cash which had been paid;

  (ii) USD $1,000,000 convertible on closing, into Lineage common shares at a price of $0.165 per share; and

  (iii) 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.

(c) 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. During the year ended January 31, 2019, the advances were written down as their recoverability was uncertain.

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

As at April 30, 2019, the total investments made to Walnut Oaks were recorded at $319,640 (January 31, 2019 – $312,996).

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.

9. RIGHT-OF-USE ASSETS

Right-of-use assets consist of the following:

	Rental Leases
	$
Cost at:	
January 31, 2019	**-**
Recognition of RUA on February 1, 2019 (Note 3)	**601,261**
Effects of foreign exchange on translation	**15,060**
April 30, 2019	**616,321**
Accumulated amortization at:	
January 31, 2019	**-**
Amortization	**22,507**
Effect of foreign exchange on translation	**173**
April 30, 2019	**22,680**
Net book value:	
January 31, 2019	**-**
April 30, 2019	**593,641**

10. INTANGIBLE ASSETS

	Brand Name	**Licenses**	**Goodwill**	**Total**
	$	$	$	**$**
Balance, January 31, 2018	-	-	-	**-**
Acquired on business acquisition (Note 4)	159,485	430,546	863,924	**1,453,955**
Additions of intangible assets	-	12,608	-	**12,608**
Impairment of licenses	-	(63,909)	-	**(63,909)**
Effects of movements in foreign exchange	2,077	6,858	11,252	**20,187**
Balance, January 31, 2019	161,562	385,103	875,176	**1,421,841**
Additions of intangible assets	-	-	-	**-**
Effects of movements in foreign exchange	3,429	8,175	18,577	**30,181**
Balance, April 30, 2019	164,991	393,278	893,753	**1,452,022**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

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

	April 30, 2019	January 31, 2019
	$	$
Less than 90 days	**306,397**	532,354
Greater than 90 days	**350,030**	-
	656,427	532,354

12. CONVERTIBLE DEBENTURES

SIDEX Debentures

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

On September 16, 2016, the Company extended the maturity date of the SIDEX Debentures until September 16, 2017. The rate of interest on the SIDEX Debentures is 12% per annum, to be accrued until and payable on the maturity date.

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

On March 13, 2019, the SIDEX Debentures were converted into 354,384 common shares of the Company, at the adjusted conversion price of $0.20 (see Note 15).

Convertible Debentures

On May 12, 2017, the Company closed a brokered private placement offering of convertible debentures (the "Convertible Debentures") of 2,500 units for gross proceeds of $2,500,000. The offering is in accordance with the proposed transaction with Nutritional High International Inc. ("NHII") regarding the build-out of cannabis cultivation facilities in the States of Nevada and Colorado (see Note 21). The issue price of each unit was $1,000 and consisted of:

(i) $1,000 principal amount of 12.0% convertible secured redeemable debentures; and
(ii) 4,000 warrants exercisable into common shares of Lineage at a price of $0.325 for a period of 24 months.

The Convertible Debentures were convertible into common shares at the option of the holders thereof at any time prior to the May 12, 2019 at a conversion price of $0.25 per share, subject to the following adjustments as of their issue date:

(a) if Lineage completed an equity financing within eight (8) months (amended to nine (9) months by Lineage as of February 1, 2018) of the date of the offering at a price less than $0.30 per share, the conversion price would be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to a price equal to a 20% discount to such price; and

(b) if Lineage completed an equity financing at any time during which the Convertible Debentures remained outstanding at a price of less than $0.25 per share, the conversion price would be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such price.

Each warrant entitled the holder thereof to purchase one common share of Lineage at a price of $0.325 per share for a period of 24 months after the closing date, subject to the following adjustment:

(a) if Lineage issued warrants at any time during which the Convertible Debentures remained outstanding with an exercise price of less than $0.325 per share, the warrant exercise price would be adjusted, subject to compliance with applicable stock exchange and securities regulatory requirements, to an amount equal to such price.

12. CONVERTIBLE DEBENTURES (continued)

Amendments to Convertible Debentures

Repricing of the Convertible Debentures

On February 1, 2018, pursuant to the amended terms of the Convertible Debentures, the Company repriced the Convertible Debentures. As the Company closed the first tranche ("Tranche 1") of a brokered private placement financing (the "Concurrent Financing") within 9 months of issuance of the Convertible Debentures at a price of $0.25, the conversion price of the Convertible Debentures was reduced from $0.25 to $0.20 by operation of the adjustment terms of the debentures.

The adjustment to the conversion price was retroactive upon closing of Tranche 1 of the Concurrent Financing on January 24, 2018 (see Note 15). Effective February 26, 2018, the exercise price of the common share purchase warrants issued was also amended from $0.325 to $0.25.

During the year ended January 31, 2019, all 2,500 units of the Convertible Debentures were converted into 12,500,000 common shares of the Company, at the adjusted conversion price of $0.20 (see Note 15).

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

The following table reflects the changes to the Convertible Debentures for the three months ended April 30, 2019:

	$
Balance, January 31, 2018	**2,166,863**
Accretion expense	269,137
Conversion of debentures and interest accrued	(2,362,859)
Balance, January 31, 2019	**73,141**
Interest expense	592
Conversion of SIDEX Debentures and interest accrued	(73,733)
Balance, April 30, 2019	**-**

The changes to the embedded derivative liabilities related to the Convertible Debentures are as follows:

	$
Balance, January 31, 2018	**1,510,831**
Derecognition of derivative liabilities on conversion	(1,650,238)
Fair value changes of derivative liabilities	293,860
Balance, January 31, 2019	**154,453**
Fair value changes of derivative liabilities	(152,561)
Balance, April 30, 2019	**1,892**

The Company used the Black-Scholes valuation model to estimate the fair value of the embedded derivative liabilities upon the initial measurement and as at April 30, 2019 and January 31, 2019, based on the following assumptions:

12. CONVERTIBLE DEBENTURES (continued)

	April 30, 2019	January 31, 2019	May 12, 2017
Valuation date share price	$0.165	$0.165	$0.035
Conversion price	$0.20	$0.20	$0.25
Exercise price	$0.25	$0.25	$0.325
Expected remaining life	0.03 years	0.28 years	2 years
Volatility (1)	104%	108%	157%
Risk-free interest rate	1.71%	1.71%	0.68%

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

Secured Convertible Notes

On August 29, 2018, as part of the consideration paid for the Terpene Station Acquisition, the Company issued the Secured Convertible Notes to the seller in the aggregate amount of USD $800,000, issued in two (2) separate notes in the principal amounts of USD $400,000 each. The Secured Convertible Notes are convertible at the option of the holder, into common shares of Lineage at a conversion price of CAD $0.35 per share. Interest will accrue on the principal amount at 12% per annum until the earlier of (a) repayment in full of the Secured Convertible Notes or (b) on conversion.

The principal amount of the Secured Convertible Notes and all accrued and unpaid interest thereon is payable by the Company as follows:

(i) USD $150,000 payable on the first anniversary of the Secured Convertible Notes ("First Payment Due Date"), if the conversion option is not exercised 30 days before the First Payment Due Date;

(ii) USD $150,000 payable on the second anniversary of the Secured Convertible Notes ("Second Payment Due Date"), if the conversion option is not exercised 30 days before the Second Payment Due Date; and

(iii) The balance on the third anniversary of the Secured Convertible Notes, if the Conversion Option is not exercised 30 days before the three (3) year anniversary of the Secured Convertible Notes.

The Secured Convertible Notes, and the portion related to the conversion option, are classified as liabilities. The conversion feature does not meet equity classification, as they contain contractual terms that result in the potential adjustment in the conversion price. In failing the equity classification, the conversion feature was accounted for as an embedded derivative liability as its fair value is affected by changes in the fair value of the Company's shares. The effect is that the Secured Convertible Notes are accounted for at amortized cost, with the embedded derivative liability being measured at fair value with changes in value being recorded in profit or loss.

The following table reflects the changes to the Secured Convertible Notes for the three months ended April 30, 2019:

	$
Balance, January 31, 2018	**-**
Issuance of Secured Convertible Notes	842,301
Interest and accretion expense	84,619
Effects of movements in foreign exchange	10,477
Balance, January 31, 2019	**937,397**
Interest and accretion expense	26,954
Effects of movements in foreign exchange	51,525
Balance, April 30, 2019	**1,015,876**

12. CONVERTIBLE DEBENTURES (continued)

Secured Convertible Notes (continued)

The changes to the embedded derivative liabilities related to the Secured Convertible Notes are as follows:

	$
Balance, January 31, 2018	**-**
Fair value of derivative conversion option on date of issuance	195,699
Fair value changes of derivative liabilities	(63,378)
Effects of movements in foreign exchange	2,919
Balance, January 31, 2019	**135,240**
Fair value changes of derivative liabilities	42,423
Effects of movements in foreign exchange	2,551
Balance, April 30, 2019	**180,214**

13. NOTES PAYABLE

Promissory Note

On September 24, 2018, the Company issued a promissory note (the "Promissory Note") to the Corporate Secretary of the Company, in exchange for an advance of USD $150,000 ($196,211). The Promissory Note bears interest at a rate of 10% per annum and is due on demand.

As at January 31, 2019, the Company had made payments of USD $100,000 ($132,230) on the Promissory Note.

During the three months ended April 30, 2019, $1,562 (2018 – $nil) of interest expense was incurred in relation to the Promissory Note, and as at April 30, 2019, the Company repaid the Promissory Note in full by making a payment of USD $51,612 ($69,031).

Bridge Loan

On November 16, 2018, Lineage issued a promissory note to FLRish in the principal amount of $2,000,000 (the "Bridge Loan"). The Bridge Loan is unsecured, and bears in interest at 12% per annum, or 18% per annum if the Bridge Loan is in default. The Bridge Loan is repayable at the earlier of (a) November 16, 2019, or (b) if the RTO Transaction was terminated (see Notes 21 and 23), the date that is six (6) months after the date of termination. During the three months ended April 30, 2019, $58,521 (2018 – $nil) of interest expense was incurred on the Bridge Loan, which was unpaid as at April 30, 2019.

On completion of the RTO Transaction, the Bridge Loan will be eliminated on consolidation.

14. LEASE PAYABLE

The Company assumed two (2) lease agreements for the cannabis retail dispensaries located in Portland and Eugene, on closing of the Terpene Station Acquisition. The lease in Portland commenced on October 1, 2014, with a term of five (5) years, with an option to renew for two (2) additional terms of 5 years until 2029, while the lease in Eugene has an outstanding term until 2023.

	$
Balance, January 31, 2019	**-**
Recognition on February 1, 2019 (Note 3)	**601,261**
Repayments of lease principal	**(18,066)**
Effects of foreign exchange on translation	**11,676**
Balance, April 30, 2019	**594,871**
Current portion	55,096
Non-current portion	539,775

15. SHARE CAPITAL

Authorized share capital

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

	April 30, 2019	January 31, 2019
	$	$
Issued: 75,997,868 common shares (January 31, 2019 – 75,643,484)	**13,022,090**	12,939,533

Share capital transactions for the three months ended April 30, 2019

On March 13, 2019, the Company issued 354,384 common shares as a result of the conversion of the SIDEX Debentures at the adjusted conversion price of $0.20 per common share (see Note 12).

Share capital transactions for the three months ended April 30, 2018

On February 8, 2018, the Company closed the second tranche ("Tranche 2") of the Concurrent Financing, consisting of the issuance of 3,442,064 units at a price of $0.25 per unit, for gross proceeds of $860,516. Each unit consisted 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 from the closing date, as disclosed in Note 15. In conjunction with closing of Tranche 2 of the Concurrent Financing, the Company paid finders' fee of $62,900 and issued 251,600 finders' warrants (see Note 16).

On February 14, 2018, the Company closed the third tranche ("Tranche 3") of the Concurrent Financing, consisting of the issuance of 3,047,600 units at a price of $0.25 per unit, for gross proceeds of $761,900. Each unit consisted 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 from the closing date, as disclosed in Note 15. In conjunction with closing of Tranche 3 of the Concurrent Financing, the Company paid finders' fee of $18,800 and issued 75,200 finders' warrants (see Note 16).

On February 16, 2018, the Company closed the fourth and last tranche ("Tranche 4") of the Concurrent Financing, consisting of the issuance of 900,000 units at a price of $0.25 per unit, for gross proceeds of $225,000. Each unit consisted 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 from the closing date, as disclosed in Note 15. In conjunction with closing of Tranche 4 of the Concurrent Financing, the Company also paid finders' fee of $18,000 and issued 72,000 finders' warrants (see Note 16).

15. SHARE CAPITAL (continued)

Share capital transactions for the three months ended April 30, 2018 (continued)

On March 7, 2018, the Company issued 1,650,000 common shares to NHII as partial consideration for its introduction of Mt. Baker Greeneries, LLC ("Mt. Baker"), and for entering into the Put Option Agreement (see Note 21). The common shares were valued at $254,606, as at January 31, 2018, based on the share price of Tranche 1 of the Concurrent Financing.

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

On March 7, 2018, 175,000 common shares were issued as a result of the exercise of 175,000 warrants for total cash proceeds of $17,500. All issued shares are fully paid.

During the three months ended April 30, 2018, the Company issued 6,400,000 common shares were issued as a result of the conversion of 1,280 units of Convertible Debentures at the adjusted conversion price of $0.20.

16. RESERVE FOR WARRANTS

The following table summarizes the warrant activities for the three months ended April 30, 2019 and 2018:

	April 30, 2019		April 30, 2018	
	Number of warrants outstanding	**Weighted average exercise price**	Number of warrants outstanding	Weighted average exercise price
	#	**$**	#	$
Balance, beginning of year	**23,640,997**	**0.29**	27,539,753	0.25
Issued	**-**	**-**	7,389,665	0.325
Issued	**-**	**-**	398,800	0.25
Exercised	**-**	**-**	(175,000)	0.10
Expired	**(333,333)**	**0.20**	(488,811)	1.20
Balance, end of period	**23,307,664**	**0.29**	34,664,407	0.23

Warrants issuance for the three months ended April 30, 2019

There were no warrants issuances during the three months ended April 30, 2019.

Warrants issuance for the three months ended April 30, 2018

In conjunction with Tranche 2 of the Concurrent Financing which closed on February 8, 2018, the Company issued 3,442,064 warrants at an exercise price of $0.325 per share for a period of 24 months from the closing date. In addition, the Company also issued 251,600 finders' warrants which entitle the holder to purchase one (1) unit at a price of $0.25 per unit, exercisable until February 8, 2020.

In conjunction with Tranche 3 of the Concurrent Financing which closed on February 14, 2018, the Company issued 3,047,600 warrants at an exercise price of $0.325 per share for a period of 24 months from the closing date. The Company also issued 75,200 finders' warrants which entitle holder to purchase one (1) unit at a price of $0.25 per unit, exercisable until February 14, 2020.

16. RESERVE FOR WARRANTS (continued)

Warrants issuance for the three months ended April 30, 2018 (continued)

In conjunction with Tranche 4 of the Concurrent Financing which closed on February 16, 2018, the Company issued 900,000 warrants at an exercise price of $0.325 per share for a period of 24 months from the closing date. The Company also issued 72,000 finders' warrants which entitle holder to purchase one (1) unit at a price of $0.25 per unit, exercisable until February 16, 2020.

The Company used the Black-Scholes valuation model to estimate the fair value of the warrants issued during the three months ended April 30, 2018, based on the following assumptions:

Issuance date	February 8, 2018	February 14, 2018	February 16, 2018
Number of warrants	3,442,065	3,047,600	900,000
Implied share price	$0.157	$0.157	$0.157
Exercise price	$0.325	$0.325	$0.325
Expected life of warrants	2 years	2 years	2 years
Expected volatility [1]	146%	146%	146%
Risk-free interest rate	1.83%	1.82%	1.82%
Fair value	$318,656	$281,522	$83,109

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

[1] Expected volatility is based on historical volatility of comparable companies.

The following table summarizes information of warrants outstanding as at April 30, 2019:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
May 12, 2019	10,000,000	0.25	0.03
May 12, 2019	400,000	0.25	0.03
January 24, 2020	4,740,000	0.325	0.74
January 24, 2020	379,200	0.25	0.74
February 8, 2020	3,442,064	0.325	0.78
February 8, 2020	251,600	0.25	0.78
February 14, 2020	3,047,600	0.325	0.79
February 14, 2020	75,200	0.25	0.79
February 16, 2020	900,000	0.325	0.80
February 16, 2020	72,000	0.25	0.80
	23,307,664	**0.29**	**0.44**

17. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the aggregate number of shares outstanding. As at April 30, 2019, the Company had 1,986,453 common shares that are issuable under the Plan. The exercise price and vesting terms are determined by the Board of Directors.

Options grants for the three months ended April 30, 2019 and 2018

During the three months ended April 30, 2019 and 2018, the Company did not grant any options.

The following table summarizes information of options outstanding and exercisable as at April 30, 2019:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining life
	#	#	$	Years
December 12, 2021	85,000	85,000	0.10	2.62
May 24, 2023	2,675,000	1,425,000	0.25	4.07
August 3, 2023	20,000	6,667	0.25	4.26
December 14, 2023	2,833,333	2,833,333	0.165	4.63
	5,613,333	**4,350,000**	**0.20**	**4.33**

18. 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. ("FFHC"), an entity in which Adam Szweras is a director and whereas his children hold an indirect interest. For the three months ended April 30, 2019, the Company was charged $36,000 (2018 – $117,667) for advisory and consulting services provided by FMICA. As at April 30, 2019, no balance was owed to FMICA (January 31, 2019 – $nil).

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 three months ended April 30, 2019, the CEO was paid $30,000 (2018 – $4,720) for CEO consulting services provided to the Company, which are included in management and consulting fees. As at April 30, 2019, no balance was owed to the CEO (January 31, 2019 – $3,380; included in accounts payable and accrued liabilities).

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. Branson is a company in which FFHC and Adam Szweras hold a 60% and 15% ownership interest, respectively. In consideration for the services provided, the Company agreed to pay a monthly fee of $8,000. During the three months ended April 30, 2019, the Company was charged $24,000 (2018 – $27,675) for services provided by Branson. As at April 30, 2019, no balance was owed to Branson (January 31, 2019 – $nil).

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

Key management personnel compensation (continued)

As at April 30, 2019, an amount of $10,972 (January 31, 2019 – $4,074) 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 three months ended April 30, 2018, the Company recorded fees of $158,000 (2017 – $nil), including a bonus of $150,000 paid upon the Company securing its listing on the Canadian Securities Exchange (the "CSE"), for services rendered by a former officer to the Company, which are included in management and consulting fees.

During the three months ended April 30, 2019, officers and directors of the Company received stock-based compensation of $21,200 (2018 – $3,094).

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 Financing which closed in February 2018 (see Note 15). 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 Financing (see Note 15).

19. CAPITAL RISK MANAGEMENT

The Company's objective in managing its capital structure is to ensure the entity continues as a going concern as well as to maintain optimal returns and benefits to shareholders and other stakeholders. The Company monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current business and industry outlook in general. To maintain or adjust the capital structure, the Company may issue new shares or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the management team's expertise to sustain future development of the business.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) reducing or eliminating exploration expenditures which are of limited strategic value; and
(iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess and acquire an interest in new business opportunities if it feels there is sufficient potential and if it has adequate financial resources to do so.

As at April 30, 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 $828,119 (January 31, 2019 – $1,170,353). 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 three months ended April 30, 2019 and the year ended January 31, 2019.

19. CAPITAL RISK MANAGEMENT (continued)

The Company is not subject to externally imposed capital requirements.

20. FINANCIAL INSTRUMENT RISKS

Financial instruments

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

	Classification
Cash	FVTPL
Other receivables (excluding sales tax recoverable)	Amortized cost
Investments and advances	Amortized cost / FVTPL
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL
Notes payable	Amortized cost
Lease payable	Amortized cost

Fair value hierarchy

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

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

As at April 30, 2019, the Company does not have any financial instruments measured at fair value after initial recognition, except for cash included at Level 1, the derivative liabilities which were calculated using Level 2 inputs and investments classified at Level 3 where the fair value was determined based on implied enterprise value of the investee by referring to values of comparable entities, as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	370,587	-	-	370,587
Investment	-	-	319,640	319,640
Derivative liabilities	-	182,106	-	182,106
	370,587	**182,106**	**312,996**	**872,333**

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.

20. FINANCIAL INSTRUMENT RISKS (continued)

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 April 30, 2019, the Company had a cash balance of $370,587 (January 31, 2019 – $578,528) to settle current liabilities of $3,133,172 (January 31, 2019 – $3,309,959).

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 April 30, 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 (Note 11)	656,427	-	-	656,427
Derivative liabilities (Note 12)	182,106	-	-	182,106
Convertible notes payable (Note 12)	-	1,015,876	-	1,015,876
Notes payable (Note 13)	2,108,493	-	-	2,108,493
Lease payable (Note 14)	55,096	144,443	126,972	326,511
	3,002,122	**1,160,319**	**126,972**	**4,289,413**

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.

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 April 30, 2019, the Company had no hedging agreements in place with respect to floating interest rates.

21. COMMITMENTS AND CONTINGENCIES

Nutritional High International Inc.

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.

21. COMMITMENTS AND CONTINGENCIES (continued)

Nutritional High International Inc. (continued)

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 unaudited condensed interim 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.

Lease commitments

The Company entered into two (2) lease agreements for the cannabis retail dispensaries located in Portland and Eugene. As at April 30, 2019, the Company is committed to minimum annual lease payments for its two (2) Oregon dispensaries locations as follows:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	$	$	$	$
Lease obligations	587,489	123,938	259,142	204,409

RTO Transaction

On August 12, 2018, the Company and FLRish, entered into a letter agreement pursuant to which Lineage and FLRish agreed to complete the RTO Transaction (see Note 23 for details).

On February 8, 2019, and as amended on April 17, 2019, Lineage and FLRish entered into the Merger Agreement, and on May 30, 2019, Lineage and FLRish completed the RTO Transaction (see Note 23 for details).

22. SEGMENTED INFORMATION

As at April 30, 2019, the Company's operations comprise of a single reporting operating segment engaged in the cultivation, branding, distribution and retail management of cannabis in states throughout the US. As at and for the three months ended April 30, 2019, the breakdown between operations in Canada and the US are as follows:

Statement of Financial Position	Canada	US	Total
	$	$	$
Current assets	348,864	193,170	542,034
Non-current assets	2,312,522	2,819,456	5,131,978
Total Assets	**2,661,386**	**3,012,626**	**5,674,012**
Current liabilities	2,682,466	450,706	3,133,172
Long-term liabilities	-	1,712,721	1,712,721
Total Liabilities	**2,682,466**	**2,163,427**	**4,845,893**

Statement of Loss	Canada	US	Total
	$	$	$
Sales	-	528,919	528,919
Cost of goods sold	-	(312,258)	(312,258)
Operating expenses	(266,888)	(316,508)	(583,396)
Other income (expenses)	117,514	(112,551)	4,963
Net Loss	**(149,374)**	**(212,398)**	**(361,772)**

23. SUBSEQUENT EVENTS

Warrants

Subsequent to April 30, 2019, 10,400,000 warrants exercisable at $0.25 expired unexercised.

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 as a stock dividend:

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

RTO Transaction

On May 30, 2019, the Company completed its previously announced RTO Transaction with FLRish pursuant to the Merger Agreement dated February 8, 2019, as amended on April 17, 2019 among the Company, FLRish and Lineage Merger Sub Inc. ("Merger Sub"), a wholly-owned subsidiary of the Company.

The RTO Transaction was completed by way of a "three-cornered merger" whereby FLRish merged with Merger Sub to form a merged corporation and a wholly-owned subsidiary of the Company. Immediately prior to the RTO Transaction taking effect, Lineage (a) effected the Consolidation of its common shares on the basis of approximately 41.82 common shares into one new common share, (b) changed its name to "Harborside Inc.", (c) reclassified the post-Consolidation common shares as Subordinate Voting Shares and (d) created a new class of Multiple Voting Shares.

23. SUBSEQUENT EVENTS (continued)

RTO Transaction (continued)

On closing of the RTO Transaction, the holders of shares of FLRish received Multiple Voting Shares, Subordinate Voting Shares or a combination thereof, for each share of FLRish outstanding immediately prior to completion of the RTO Transaction.

On June 10, 2019, the Subordinate Voting Shares commenced trading on the CSE under the trading symbol "HBOR".