Cresco Labs, LLC

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in United States Dollars)

Page

FINANCIAL STATEMENTS:

CRESCO LABS, LLC
Unaudited Consolidated Statements of Financial Position
(Amounts Expressed in United States Dollars)

		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	*Note 2(f)*	$ 93,916,298	$ 27,043,219
Accounts Receivable, Net	*Note 2(g)*	2,897,429	1,010,620
Biological Assets	*Note 3*	7,546,787	2,636,654
Inventory, Net	*Note 4*	7,746,264	3,191,109
Other Current Assets		488,934	183,515
Total Current Assets		112,595,712	34,065,117
Property and Equipment, Net	*Note 6*	23,571,685	4,973,447
Intangible Assets, Net	*Note 7*	3,577,005	247,083
Investments	*Note 5*	8,362,427	989,611
Security Deposits - Related Parties	*Note 15 & 16*	1,354,458	1,342,049
TOTAL ASSETS		**$ 149,461,287**	**$ 41,617,307**
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Current Liabilities:			
Accounts Payable and Other Accrued Expenses	*Note 8*	$ 5,748,055	$ 2,640,582
Subscription Deposits Refundable	*Note 9*	-	399,800
Notes Payable - Related Parties	*Note 10*	-	328,125
Due to Related Parties	*Note 9*	1,522,901	725,000
Total Current Liabilities		7,270,956	4,093,507
Long-Term Liabilities:			
Deferred Rent	*Note 15*	2,042,405	1,587,230
TOTAL LIABILITIES		**9,313,361**	**5,680,737**
TOTAL MEMBERS' EQUITY	*Note 11*	**140,147,926**	**35,936,570**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**$ 149,461,287**	**$ 41,617,307**

Nature of Operations *(Note 1)*
Commitments and Contingencies *(Note 15)*
Subsequent Events *(Note 19)*

Approved and authorized for issue on behalf of the Members on December 10, 2018:

Charles Bachtell
Chief Executive Officer

Kenneth Amann
Chief Financial Officer

See accompanying notes to unaudited consolidated financial statements.

CRESCO LABS, LLC
Unaudited Consolidated Statements of Operations
For the Three and Nine Month Periods Ended September 30, 2018
(Amounts Expressed in United States Dollars)

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2018	**2017**	**2018**	**2017**
Revenue		$ 12,728,951	$ 2,934,918	$ 26,295,137	$ 7,665,318
Excise Taxes		557,241	136,444	1,243,293	461,792
Net Revenue		12,171,710	2,798,474	25,051,844	7,203,526
Inventory Production Costs Expensed to Cost of Sales		6,738,753	2,770,831	15,085,351	7,157,448
Gross Profit Before Unrealized Gain on Changes in Fair Value		5,432,957	27,643	9,966,493	46,078
Unrealized Gain on Changes in Fair Value of Biological Assets	*Note 3*	2,739,564	800,264	4,910,133	1,467,703
Gross Profit After Unrealized Gain on Changes in Fair Value of Biological Assets		8,172,521	827,907	14,876,626	1,513,781
Expenses:					
Selling, General and Administration	*Note 14*	3,905,075	862,360	7,610,336	2,243,725
Depreciation and Amortization		51,514	9,767	141,295	29,015
Advertising and Marketing		418,196	140,921	1,065,541	282,019
Total Expenses		4,374,785	1,013,048	8,817,172	2,554,759
Gain (Loss) from Operations		3,797,736	(185,141)	6,059,454	(1,040,978)
Other Income (Expense):					
Interest Income (Expense), Net		(3,674)	16,097	(21,005)	32,213
Other Income (Expense), Net		(36,417)	13,010	(19,287)	61,458
Shares of Income from Investment in Associate	*Note 5*	177,962	-	498,786	-
Total Other Income, Net		137,871	29,107	458,494	93,671
Net Income (Loss)		3,935,607	(156,034)	6,517,948	(947,307)
Net Income Attributable to Non-Controlling Interests		(1,056,986)	-	(1,657,845)	-
Net Income (Loss) Attributable to Controlling Interest		**$ 2,878,621**	**$ (156,034)**	**$ 4,860,103**	**$ (947,307)**

See accompanying notes to unaudited consolidated financial statements.

CRESCO LABS, LLC
Unaudited Consolidated Statements of Changes in Members' Equity
For the Year Ended December 31, 2017 and Nine Month Period Ended September 30, 2018
(Amounts Expressed in United States Dollars)

	Class A Units	Class B Units	Class C Units	Class D Units	Class E Units	Class F Units	Founders Units	Share Capital	Accumulated Deficit	Subscription Receivable	Noncontrolling interest	Total
BALANCE AS OF JANUARY 1, 2017	93,000,000	14,055,556	16,270,000	2,103,750	-	-	33,000,000	$ 21,863,715	$ (12,659,907)	$ -	$ -	$ 9,203,808
Issuance of Units Cash	-	-	500,000	-	14,006,523	-	-	15,908,609	-	(260,000)	15,070,597	30,719,206
Share Compensation - Equity Allocation Plan	-	-	-	-	-	-	-	1,079	-	-	-	1,079
Net Loss	-	-	-	-	-	-	-	-	(3,175,353)	-	(812,170)	(3,987,523)
BALANCE AS OF DECEMBER 31, 2017	**93,000,000**	**14,055,556**	**16,770,000**	**2,103,750**	**14,006,523**	**-**	**33,000,000**	**$ 37,773,403**	**$ (15,835,260)**	**$ (260,000)**	**$ 14,258,427**	**$ 35,936,570**
Issuance (Transfer) of Units	1,400,000	140,000	250,000	126,189	114,214	20,244,132	-	92,080,293	-	-	3,609,403	95,689,696
Acquisition (Disposal) of Non-Controlling Interest	-	-	-	-	-	31,404,796	-	19,047,115	-	-	(18,616,211)	430,904
Issuance of Class D for Share Compensation	-	-	-	2,617,333	-	-	-	157,123	-	-	-	157,123
Share Compensation - Equity Allocation Plan	-	-	-	-	-	-	-	587,785	-	-	-	587,785
Issuance of Shares for an Interest in an Associate	-	-	-	-	500,000	-	-	567,900	-	-	-	567,900
Cash Received from Subscription Receivable	-	-	-	-	-	-	-	-	-	260,000	-	260,000
Net Income	-	-	-	-	-	-	-	-	4,860,103	-	1,657,845	6,517,948
BALANCE AS OF SEPTEMBER 30, 2018 (UNAUDITED)	**94,400,000**	**14,195,556**	**17,020,000**	**4,847,272**	**14,620,737**	**51,648,928**	**33,000,000**	**$ 150,213,619**	**$ (10,975,157)**	**$ -**	**$ 909,464**	**$ 140,147,926**

See accompanying notes to unaudited consolidated financial statements.

CRESCO LABS, LLC
Unaudited Consolidated Statements of Cash Flows
For the Nine Month Periods Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars)

	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 6,517,948	$ (947,307)
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	1,069,755	359,443
Issuance of Class D for Share Compensation	157,123	-
Share Compensation - Equity Allocation Plan	587,785	809
Income from Associate	(498,786)	-
Unrealized Loss on Investments at Fair Market Value	94,870	-
Unrealized Gain on Changes in Fair Value of Biological Assets	(4,910,133)	(1,467,703)
Changes in Operating Assets and Liabilities:		
Receivables	(1,464,168)	(238,896)
Inventory	(4,482,450)	(1,518,312)
Prepaid Expenses and Other Current Assets	(304,358)	(553,528)
Other Assets	(12,410)	(5,976)
Due from Related Parties	-	1,989,944
Accounts Payable and Other Accrued Expenses	2,926,309	1,234,165
Deferred Rent	455,175	530,150
Other Current Liabilities	(399,800)	316,498
Due to Related Paries	(702,099)	-
NET CASH USED IN OPERATING ACTIVITIES	(965,239)	(300,713)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(19,022,280)	(1,460,389)
Purchase of Investments	(6,401,000)	(50,000)
Cash Paid for Acquisitions, Net of Cash Acquired	(2,014,974)	-
Sale of Investments	-	699,000
Purchase of Intangibles	(345,000)	(590,000)
NET CASH USED IN INVESTING ACTIVITIES	(27,783,254)	(1,401,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital Contributions from Members	95,689,697	13,626,773
Loans from Shareholders	-	(93,750)
Principal Repayments of Notes Payable	(328,125)	-
Cash received from Subscription Receivable	260,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	95,621,572	13,533,023
NET INCREASE IN CASH	66,873,079	11,830,921
Cash and Cash Equivalents, Beginning of Period	27,043,219	1,300,464
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 93,916,298**	**$ 13,131,385**
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 21,005	$ (32,213)
NON-CASH TRANSACTIONS:		
Issuance of Units for an Interest in an Associate	$ 567,900	$ -
Deferred Consideration for Business Combinations	$ 1,500,000	$ -

See accompanying notes to unaudited consolidated financial statements.

1. NATURE OF OPERATIONS

Cresco Labs, LLC, an Illinois limited liability company ("Cresco" or the "Company"), is licensed to cultivate manufacture and sell medical cannabis and medical cannabis products. The Company operates in and/or has ownership interests in Illinois, Pennsylvania, Ohio, Nevada, and California pursuant to the Illinois Compassionate Use of Medical Cannabis Pilot Program Act, the Pennsylvania Compassionate Use of Medical Cannabis Act, the Ohio Medical Marijuana Control Program, the Nevada Regulation and Taxation or Marijuana Act, and the California Medicinal and Adult-Use Cannabis Regulation and Safety Act, respectively (collectively, the "Acts").

During 2016, the Company created two wholly-owned subsidiaries, JDRC Managed Services, LLC ("JDRC") and Cresco Edibles, LLC ("Cresco Edibles"). Cresco Edibles holds a 75% interest in an operating company, TSC Cresco, LLC ("TSC").

During 2017, the Company created a majority owned subsidiary, Cresco Labs PA, LLC ("Cresco PA"), which holds a 98% interest in Cresco Yeltrah ("Yeltrah") and JDRCB Ohio, LLC ("JDRCBO") which holds a 99% interest in Cresco Labs OH, LLC ("Cresco Ohio").

During 2018, the Company created Cresco Labs SLO, LLC which holds a 80% interest in SLO Cultivation, Inc. ("SLO") and created Cresco Labs Phoenix, LLC which holds a 95% interest in Phoenix Farms Partners, LLC ("Phoenix").

In the fourth quarter of 2018, the Company completed a reverse takeover transaction of Randsburg International Gold Corp., a Canadian publicly listed company ("Randsburg"). Pursuant to the Business Combination, a series of transactions were completed resulting in a reorganization of Cresco and Randsburg. As a result, Randsburg changed its name to Cresco Labs, Inc., consolidated its outstanding common shares, such that the shareholders of Randsburg retained an aggregate of C$2.2 million (Canadian dollar) in resulting issuer shares, replaced all directors and officers of Randsburg, and created a new class of non-participating super voting shares issued to certain principals of Cresco. On December 3, 2018, the Company began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "CL."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The accompanying consolidated financial statements of the Company have been 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 effect for the periods ended September 30, 2018 and 2017.

These accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December 10, 2018.

(b) Basis of Measurement

These accompanying consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for biological assets, which are measured at fair value; inventory, which is recorded at the lower of cost or next realizable value; and certain investments, which are recorded at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

(c) Classification of Expenses

The expenses within the accompanying statements of operations are presented by function. See *Note 14* for details of expenses by nature.

(d) Functional Currency

The Company and its affiliates' functional currency, as determined by management, is the United States ("U.S.") dollar. These accompanying consolidated financial statements are presented in U.S. dollars.

(e) Basis of Consolidation

These accompanying consolidated financial statements include the accounts of the Company and subsidiaries, over which the Company has control, which are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. Non-controlling interest in the equity of consolidated subsidiaries is shown separately in the statement of operations and in the accompanying statements of changes in members equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are consolidated in these accompanying financial statements and the ownership interest held.

- Cresco Labs PA, LLC ("Cresco PA"), wholly-owned, which holds a 98% interest in an operating company, Cresco Yeltrah, LLC ("Yeltrah"). Yeltrah is determined to be controlled by the Company as the Company has management and board control, the power to affect the relevant activities of Yeltrah, and the power to affect its exposure to its variable returns in Yeltrah. Accordingly, Yeltrah and the results of its operations are included in the accompanying consolidated financial statements.
- JDRCB Ohio, LLC ("JDRCBO"), wholly-owned, which holds a 99% interest in an operating company, Cresco Labs, OH, LLC ("Cresco Ohio"). Cresco Ohio is determined to be controlled by the Company as the Company has management and board control, the power to affect the relevant activities of Cresco Ohio, and the power to affect its exposure to its variable returns in Cresco Ohio. Accordingly, Cresco Ohio and the results of its operations are included in the accompanying consolidated financial statements.
- JDRC Managed Services, LLC ("JDRC"), wholly-owned.
- Cresco Edibles, wholly-owned, which holds a 75% interest in TSC Cresco, LLC ("TSC"). TSC is determined to be controlled by the Company as the Company has management and board control, the power to affect the relevant activities of TSC, and the power to affect its exposure to its variable returns in TSC. Accordingly, TSC and the results of its operations are included in the accompanying consolidated financial statements.
- Cresco Labs Phoenix, LLC, wholly-owned, which holds a 95% interest in Phoenix Farms Partners, LLC ("Phoenix"). Phoenix is determined to be controlled by the Company as the Company has management and board control, the power to affect the relevant activities of Phoenix, and the power to affect its exposure to its variable returns in Phoenix. Accordingly, Phoenix and the results of its operations are included in the accompanying consolidated financial statements.
- Cresco Labs SLO LLC, wholly-owned, which holds an 80% interest in SLO Cultivation, Inc. ("SLO"). SLO is determined to be controlled by the Company as the Company has management

and board control, the power to affect the relevant activities of SLO, and the power to affect its exposure to its variable returns in SLO. Accordingly, SLO and the results of its operations are included in the accompanying consolidated financial statements.

- Cresco Joliet, LLC ("Cresco Joliet"), wholly-owned.
- Cresco Kankakee, LLC ("Cresco Kankakee"), wholly-owned.
- Cresco Lincoln, LLC ("Cresco Lincoln"), wholly-owned.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash, generally with an original maturity of three months or less.

(g) Accounts Receivable

Accounts receivable are classified as loans and receivable financial assets. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. When an accounts receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated statements of operations.

(h) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost.

- *Seed and Genomics*: Actual cost is used to value raw materials such as treatment chemicals and packaging as well as goods in process. Costs for substantially all finished goods are valued at weighted-average actual cost. Weighted average actual costs includes growing and harvesting costs, plant conditioning and packaging costs, and overhead costs.

- *Agricultural Productivity*: Actual cost is used to value raw materials and supplies. Standard cost, which approximates the actual cost, is used to value finished goods and goods in process. Standard cost includes direct labor and raw materials and manufacturing overhead based on normal capacity.

As of September 30, 2018 and December 31, 2017 the Company did not have material goods in process.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written-down to net realizable value. As of September 30, 2018 and December 31, 2017, the Company recorded an inventory reserve of $173,481 and $123,390, respectively.

(i) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the useful life of the asset. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the accompanying consolidated statements of operations in the year the asset is derecognized.

Category	Depreciation Method	Estimated Useful Life
Leasehold Improvements	Amortized Over the Lesser of the Life of the Lease or Estimated Useful Life of the Improvement	8 - 15 Years
Machinery and Equipment	Over the Estimated Useful Life of the Asset	5 - 20 Years
Furniture and Fixtures	Over the Estimated Useful Life of the Asset	7 Years
Vehicles	Over the Estimated Useful Life of the Asset	5 Years
Website and Software	Over the Estimated Useful Life of the Asset	3 Years
Computer Equipment	Over the Estimated Useful Life of the Asset	3 - 5 Years

Repairs and maintenance that do not improve efficiency or extend economic life are charged to expense as incurred.

(j) Intangible Assets

Intangible assets are initially recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. For the periods ended September 30, 2018 and 2017, the Company did not recognize any impairment losses.

(k) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination. The Company has determined that the goodwill associated with all acquisitions belong to the medical cannabis segment.

Goodwill that has an indefinite useful life 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 is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the Consolidated Statement of Operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. The Company's most recent goodwill impairment test during the second quarter did not result in the recognition of any impairment losses.

(l) Income Taxes

The Company is a limited liability company that has elected to be treated as a partnership for U.S. federal income tax purposes. Under federal law, the taxable income or loss of a limited liability company is allocated to its members. Accordingly, no provision has been made for federal income taxes. The Company is responsible for certain other state taxes.

(m) Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the following are met:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(n) Unit-Based Compensation

The Company measures equity settled unit-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For unit-based payments granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of unit-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

(o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized in the accompanying consolidated statement of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

(i) *Initial Measurement of Financial Assets and Financial Liabilities*

Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss.

(ii) *Subsequent Measurement*

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale, and other financial liabilities.

(iii) *Impairment of Financial Assets*

A financial asset not carried at Fair Value Through Profit or Loss is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. As of September 30, 2018 and December 31, 2017, the Company did not recognize any impairment losses.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of operations.

Financial Assets

(i) Cash is comprised of deposits held in financial institutions.

(ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets include the Company's accounts receivable and due from related parties, which are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Financial Liabilities

(i) Other financial liabilities include the Company's accounts payable and accrued liabilities and due from related parties. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

(p) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's accompanying consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the accompanying consolidated financial statements are described below.

(i) Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. Further information on estimates used in determining the fair value of biological assets is contained in *Note 3*.

(ii) Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(iii) Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

(iv) Unit-Based Compensation

In calculating the unit-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. To calculate the unit-based compensation expense related to key employee performance milestones associated with the terms of an acquisition, the Company must estimate the number of units that will be earned and when they will be issued based on estimated discounted probabilities.

(q) Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) *IFRS 7, Financial Instruments: Disclosure ("IFRS 7")*

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

(ii) *IFRS 9, Financial Instruments ("IFRS 9")*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The adoption of this new standard has had no significant impacts on the Company's accompanying consolidated financial statements.

(iii) *IFRS 15, Revenue from Contracts with Customers ("IFRS 15")*

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The adoption of this new standard has had no significant impacts on the Company's accompanying consolidated financial statements.

(iv) *IFRS 16, Leases ("IFRS 16")*

In January 2016, the IASB issued IFRS 16, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The Company expects significant impacts on its financial statements from the adoption of this new standard. The Company leases the majority of its cultivation facilities and dispensaries and anticipates the statement of financial position to increase by the amount determined in *Note 15*.

(v) *IFRS 2, Share-based Payment ("IFRS 2")*

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendment provided guidance introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date. Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. The adoption of this new standard has had no significant impacts on the Company's accompanying consolidated financial statements.

(Amounts Expressed in United States Dollars)

(vi) *IAS 28, Long-term Interests ("IAS 28")*

In October 2017, the IASB amended IAS 28, Long-term Interests in Associates and Joint Ventures. The amendments were added to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The standard which will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

3. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The Company expenses all direct and indirect costs in the period they are incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The expense policy provides better visibility to revenues and cost of sales and the results of the biological transformation. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

The Company's biological assets consists of seeds and cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the periods ended September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Balance at Beginning of Period	$ 2,636,654	$ 1,147,480
Purchases	2,508,825	2,669,969
Expenditures	4,229,928	7,674,781
Changes in Fair Value of Biological Assets	4,910,133	1,489,174
Transferred to Inventory Upon Harvest	(6,738,752)	(10,344,750)
Balance at End of Period	**$ 7,546,787**	**$ 2,636,654**

On average the growing time for a full harvest approximates 17 weeks. As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest. Prior to harvest, all production costs are expensed.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

(a) The selling prices, which are based on average market prices in the locations in which the Company operates in during the nine months ended September 30, 2018 and 2017;
(b) the cost to complete the cannabis production process post-harvest, and the cost to sell;
(c) the stage of plant growth; and
(d) expected yields from each cannabis plant.

A plant typically produces approximately a total of 230 grams. The Company has quantified the sensitivity of the inputs in relation to the biological assets for the nine months ended September 30, 2018 and the year ended December 31, 2017 and expects that a 5% increase or decrease in the selling price per gram would increase or decrease the fair value of biological assets by approximately $530,000 (September 30, 2018) and $188,000 (December 31, 2017). A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets of approximately $468,000 (September 30, 2018) and $132,000 (December 31, 2017). Additionally, an increase or decrease of 5% in the costs of production would increase or decrease the fair value of biological assets by approximately $61,000 (September 30, 2018) and $56,000 (December 31, 2017).

4. INVENTORY

As of September 30, 2018 and December 31, 2017, inventory totaled $7,746,264 and $3,191,109, respectively, and are comprised primarily of finished goods cannabis and cannabis-related products.

5. INVESTMENTS

The Company determines how to account for investments based on the level of control it has over the investment. If control is determined, then the investment should be consolidated. The Company's investments that have been controlled and consolidated are further described in *Note 2(e)*. Investments in which the Company has significant influence, but no control, are considered investments in associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. The carrying value is then adjusted for the Company's share of comprehensive income (loss) and distributions from the investee. The carrying value of associates is assessed for impairment at each balance sheet date. As of December 31, 2017, the Company had no investments in associates. Investments that are not controlled, or the Company does not have significant influence, are first recognized at cost. At each reporting period, changes from the initial cost and fair value are recognized through profit and loss. As of September 30, 2018, the Company has both investments at fair value and investments in associates.

The following is a detailed discussion of the Company's types of investments held:

(a) Investments at Fair Value

The Company has investments in three entities: CHP Fresco, LLC ("CHP Fresco"), a real estate holding entity, MassRoots, Inc. ("MassRoots"), a publicly traded cannabis industry, and 420 Capital Management, LLC ("420 Capital"), a cannabis investment Company. CHP Fresco, MassRoots, and 420 Capital investments are accounted for at fair market value as the Company has determined that they do not have significant influence over the investee. The following is a description of the investments held at September 30, 2018 and December 31, 2017:

(Amounts Expressed in United States Dollars)

	September 30, 2018	December 31, 2017
CHP Fresco	$ 801,000	$ 801,000
MassRoots	26,241	121,111
420 Capital Management	67,500	67,500
Total Investments	**$ 894,741**	**$ 989,611**

(b) Investments in Associates

During the period ended September 30, 2018, the Company purchased a 25 percent interest in Lighthouse Strategies, LLC ("Lighthouse"). Lighthouse owns and operates a cultivation facility in Nevada. As part of the purchase of interest, the Company paid approximately $5,500,000 in cash and issued 500,000 series E member units of the Company, valued at approximately $568,000. In addition, the Company purchased 35 percent interest in PDI Medical LLC ("PDI Medical"). PDI Medical owns and operates a cultivation facility in Illinois. As part of the Purchase of Interest, the Company paid approximately $901,000 in cash. Management determined through its percentage ownership along with factors such as board and management representation on Lighthouse and PDI Medical, the Company is able to significantly influence, but not control the entities. Accordingly, the investments in Lighthouse and PDI Medical are classified as investments in associates. The following table below describes the balance of the investments as of September 30, 2018 and December 31, 2017.

	September 30, 2018	December 31, 2017
PDI Medical	$ 1,000,541	-
Lighthouse	6,467,145	-
Total Investments	**$ 7,467,686**	**$ -**

In addition to the above, the Company recognized its pro-rata portion of Lighthouse and PDI Medical's net income during the year. The amount recognized as income from investments in associates was approximately $178,000 and $499,000 for the three and nine months ended September 30, 2018, respectively.

(Amounts Expressed in United States Dollars)

6. PROPERTY AND EQUIPMENT

As of September 30, 2018, and December 31, 2017 property and equipment consist of:

	September 30, 2018	December 31, 2017
Furniture and Fixtures	$ 1,148,054	$ 290,528
Manufacturing Equipment	2,997,041	1,047,251
Leasehold Improvements	11,494,880	206,019
Construction In Progress	8,160,099	3,081,143
Automobiles	153,803	81,717
Computer Software & Hardware	742,219	639,730
Total Property and Equipment, Gross	24,696,095	5,346,388
Less: Accumulated Depreciation	(1,124,410)	(372,941)
Property and Equipment, Net	**$ 23,571,685**	**$ 4,973,447**

A reconciliation of the beginning and ending balances of property and equipment for the nine months ended September 30, 2018 is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as of January 1, 2018	$ 5,346,388	$ (372,941)	$ 4,973,447
Additions	19,349,707	-	19,349,707
Dispositions	-	-	-
Depreciation	-	(751,469)	(751,469)
Balance as of September 30, 2018	**$ 24,696,096**	**$ (1,124,410)**	**$ 23,571,685**

A reconciliation of the beginning and ending balances of property and equipment for the year ended December 31, 2017 is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as of January 1, 2017	$ 1,305,321	$ (172,289)	$ 1,133,032
Additions	4,061,955	-	4,061,955
Dispositions	(20,888)	4,888	(16,000)
Depreciation	-	(205,540)	(205,540)
Balance as of December 31, 2017	**$ 5,346,388**	**$ (372,941)**	**$ 4,973,447**

(Amounts Expressed in United States Dollars)

Depreciation expense of $312,000 and $46,000 was recorded for the three months ended September 30, 2018 and 2017, respectively, of which $262,000 and $37,000, respectively, was included in cost of sales. Depreciation expense of $696,000 and $134,000 was recorded for the nine months ended September 30, 2018 and 2017, respectively, of which $601,000 and $105,000, respectively, are included in cost of sales.

7. INTANGIBLE ASSETS

Permits are issued by various state governments within the U.S. and grant the Company the right to construct and operate medical cannabis cultivation centers and dispensaries within each respective state. Permits are capitalized and amortized on a straight line-basis over the term of the permit. The term of the permits is one year from the date of issuance and requires yearly renewal.

As of September 30, 2018 and December 31, 2017, intangible assets consist of:

	September 30, 2018	December 31, 2017
Intangible Assets Acquired	$ 3,358,672	$ -
Permit Application Costs	1,910,000	1,565,000
Less: Accumulated Amortization	(1,691,667)	(1,317,917)
Intangible Assets, Net	**$ 3,577,005**	**$ 247,083**

A reconciliation of the beginning and ending balances of intangible assets for the nine months ended September 30, 2018 is as follows:

	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Balance as of January 1, 2018	$ 1,565,000	$ (1,317,917)	$ 247,083
Additions	3,703,672	-	3,703,672
Amortization	-	(373,750)	(373,750)
Balance as of September 30, 2018	**$ 5,268,672**	**$ (1,691,667)**	**$ 3,577,005**

A reconciliation of the beginning and ending balances of intangible assets for the year ended December 31, 2017 is as follows:

	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Balance as of January 1, 2017	$ 975,000	$ (872,917)	$ 102,083
Additions	590,000	-	590,000
Amortization	-	(445,000)	(445,000)
Balance as of December 31, 2017	**$ 1,565,000**	**$ (1,317,917)**	**$ 247,083**

Amortization expense of $79,000 and $75,000 was recorded for the three months ended September 30, 2018 and 2017 of which $78,000 and $75,000, respectively, was included in cost of sales. Amortization expense of $374,000 and $225,000 was recorded for the nine months ended September 30, 2018 and 2017 of which

(Amounts Expressed in United States Dollars)

$328,000 and $225,000, respectively, was included in cost of sales. For the three and nine months ended September 30, 2018, an additional $1,250 and $46,250 of amortization is included in selling, general, and administrative expense, respectively.

8. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

As of September 30, 2018 and December 31, 2017, accounts payable and other accrued expenses were comprised of the following:

	September 30, 2018	December 31, 2017
Accounts Payable	$ 5,038,101	$ 1,715,577
Accrued Expenses	206,352	444,061
Property Taxes Payable	407,554	361,952
Payroll Liabilities	17,943	79,307
Licensing Fee Payable	78,036	36,903
Other	69	2,782
Total Accrued Liabilities	**$ 5,748,055**	**$ 2,640,582**

9. SUBSCRIPTION DEPOSITS REFUNDABLE AND DUE TO RELATED PARTY

Subscription deposits refundable represents capital contributions received by the Company prior to successfully obtaining a license to produce and/or sell cannabis in a new state market. The Company had $0 and $399,800 in subscription deposits refundable as of September 30, 2018 and December 31, 2017, respectively. During 2018, the Company was unsuccessful in securing a license for this opportunity and refunded the subscriptions.

During 2017, the Company received subscriptions for expansion into the Pennsylvania medical cannabis market. Upon successful awarding of licenses, the Company was responsible for funding these subscriptions to Yeltrah. The Company held $725,000 due to related party as of December 31, 2017, which were remitted in 2018. As of September 30, 2018, $1,500,000 was due to related party related to the acquisition of SLO, and an additional $22,000 was due to related party related to a SLO excise tax liability.

10. NOTES PAYABLE – RELATED PARTIES

On December 30, 2016, the Company entered into Promissory Note Agreements (“Promissory Notes”) with its founders in the aggregate amount of $562,500. The terms of the Promissory Notes include maturity on the first anniversary of issuance with the Company having an election to extend the maturity date for up to two successive 12-month periods, but in no event beyond the third anniversary date of the Promissory Note Agreement. Additionally, the Promissory Notes accrue interest at an annual rate of 10%. The Company elected to extend the maturity date for two 12-month periods. As of September 30, 2018 and December 31, 2017, the amount outstanding under these agreements was $0 and $328,125, respectively.

11. MEMBERS' EQUITY

The Company is authorized to have six classes of units (the "Units"), designated as Founder's Units ("Founder's Units"), Class A Units ("A Units"), Class B Units ("B Units"), Class C Units ("C Units"), Class D Units ("D Units"), Class E Units ("E Units"), and Class F Units ("F Units"). Under the Company's Operating Agreement (the "Agreement"), the Founder's Units, A Units, B Units, C Units, E Units, and F Units shall be identical in all respects except that C Units are non-voting except that to the extent the Founder's Units represent not less than fifteen percent of all outstanding Units, the Founder's Units shall, as a class, have voting rights equal to the greater of the actual voting rights of the Founder's Units and fifty percent plus one vote of the aggregate voting rights of the Company's outstanding units. If the Founder's Units represent less than fifteen percent of the outstanding Units, the Founder's Units, A Units, B Units, E Units, and F Units will vote as a single class, with each Unit representing one vote.

D Units are issued pursuant to a Profits Interest Plan, which is defined as any profits interest award plan of the Company, as amended, modified, supplemented, or replaced from time to time. D Units are awarded to individuals at the current fair value of Company and have no voting rights.

In the fourth quarter of 2018, the Company completed a brokered private placement of 26,666,667 of new Class F units and closed its capital raise with $100,000,000 in new investment.

In the fourth quarter of 2018, the Company completed a reverse takeover transaction of Randsburg, a Canadian publicly listed company. Pursuant to the Business Combination, a series of transactions were completed resulting in a reorganization of Cresco and Randsburg. As a result, Randsburg changed its name to Cresco Labs, Inc., consolidated its outstanding common shares, such that the shareholders of Randsburg retained an aggregate of C$2.2 million (Canadian dollar) in resulting issuer shares, replaced all directors and officers of Randsburg, and created a new class of non-participating super voting shares issued to certain principals of Cresco. In conjunction with this transaction, Cresco Labs raised gross proceeds of $85 million comprised of funds from institutional investors. On December 3, 2018, the Company began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "CL."

12. EQUITY ALLOCATION PLAN

The Company has an Equity Allocation Plan (the "Plan") for key employees and service providers. Under the Plan, units issued have no voting rights and vest proportionately over periods ranging from six months to four years from the issuance date.

The calculated value of each unit award granted is estimated on the date of grant using a valuation method, see *Note 2*. The expected term of the common units is derived from the output of the potential payout model and represent the period that units are expected to vest and begin participating in net income and distributions.

(Amounts Expressed in United States Dollars)

A summary of the activity under the Plan as of September 30, 2018 and December 31, 2017, and the changes during the years then ended is as follows:

	Non-Vested Units	Weighted-Average Grant Date Fair Value
Outstanding - January 1, 2017	249,676	$ 0.12
Granted	1,376,342	$ 0.12
Forfeited	(74,267)	$ 0.12
Vested	(519,292)	$ 0.12
Outstanding - December 31, 2017	1,032,459	$ 0.12
Granted	14,250,000	$ 0.83
Forfeited	(100,753)	$ 0.08
Exercised	(64,247)	$ 0.12
Vested	(889,792)	$ 0.13
Outstanding - September 30, 2018	14,227,668	$ 0.88

The Company's units had a weighted average fair value of $0.88 at the time of the grants as of September 30, 2018 and $0.12 as of December 31, 2017 based on Level 3 inputs including, the volatility of the unit price, the expected life of the unit, dividend yield, and interest rates. The Company recorded compensation expense of approximately $523,533 and $300 for the three months ended September 30, 2018 and 2017, respectively, and $587,785 and $750 for the nine months ended September 30, 2018 and 2017, respectively.

13. ACQUISITIONS AND MERGERS

(a) Accounting Policy

(i) Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss. See *Note 2* for the Company's policy for measurement of contingent consideration.

Noncontrolling interest in the acquiree, if any, is recognized either at fair value or at the noncontrolling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration over the fair value of previously held equity interest prior to obtaining control, and the noncontrolling interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

(ii) Asset Acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

(b) Significant Judgements

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 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. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. 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.

(c) Business Combinations

(i) Phoenix

On January 19, 2018, the Company, through its wholly owned subsidiary, Cresco Labs Phoenix, LLC, purchased a controlling interest in Phoenix Farms Partners, LLC ("Phoenix"). The acquisition was accounted for in accordance with IFRS 3, "*Business Combinations"* ("IFRS 3"). Phoenix owns and operates a retail dispensary in Champaign, Illinois.

The following table summarizes the consideration paid for the acquisition:

Cash Paid	$ 2,640,611
Total Consideration	**$ 2,640,611**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the acquisition by December 31, 2018.

(Amounts Expressed in United States Dollars)

The following table summarizes the preliminary accounting estimates of the acquisition with a purchase price of $2,640,611:

Cash	$	625,637
Accounts Receivable		17,643
Inventory		72,705
Prepaid Expenses		1,061
Property and Equipment		271,959
Accounts Payable		(179,534)
Non-Controlling Interest		(269,555)
Intangible Assets		2,100,695
Preliminary Accounting Estimates of Net Assets Acquired	**$**	**2,640,611**

The Company incurred no material acquisition related costs in the periods presented.

For the period ended September 30, 2018, Phoenix accounted for approximately $119,000 in contributed net income since January 19, 2018. This amount included revenues of approximately $1,132,657.

(ii) *SLO*

On June 7, 2018, the Company, through its wholly owned subsidiary, Cresco Labs SLO, LLC, purchased a controlling interest in SLO Cultivation, LLC (SLO). The acquisition was accounted for in accordance with IFRS 3, "*Business Combinations"* ("IFRS 3"). SLO owns and operates cultivation facility in Carpinteria, California. The consideration is to be paid based on terms defined in the purchase agreement.

The following table summarizes the consideration for the acquisition:

Cash Payable	$	1,500,000
Total Consideration	**$**	**1,500,000**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the acquisition by June 30, 2019.

(Amounts Expressed in United States Dollars)

The following table summarizes the preliminary accounting estimates of the assets, liabilities and equity at the acquisition date:

Inventory	$ 405,000
Accrued Expenses	(1,628)
Non-Controlling Interest	(161,349)
Intangible Assets	1,257,977
Preliminary Accounting Estimates of Net Assets Acquired	**$ 1,500,000**

As of September 30, 2018, following the receipt of new information, the Company recorded immaterial measurement period adjustments to reflect a revised assessment of cash, accounts receivable, inventory, accrued expenses, non-controlling interest, and intangible assets. The measurement period adjustments were recorded as revisions to the Company's Consolidated Statement of Financial Position as of September 30, 2018 and are reflected above. The following summarizes the measurement period adjustments made:

The amount of cash as of September 30, 2018 decreased by $385,362, accounts receivable as of decreased by $439,978, inventory increased by $405,000, accrued expenses decreased by $4,304 as of September 30, 2018. The balance of the Company's non-controlling interest as of September 30, 2018, decreased by $166,420 as a result of measurement period adjustments. The carrying amount of intangible assets as of September 30, 2018, increased by $249,616 to reflect the measurement period adjustments.

The Company incurred no material acquisition related costs in the periods presented.

For the period ended September 30, 2018, SLO accounted for approximately $35,000 in contributed net income since June 7, 2018. This amount included revenues of approximately $477,000.

(Amounts Expressed in United States Dollars)

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

For the period endings ending September 30, 2018 and 2017, selling, general and administrative expenses were comprised of the following:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	**2017**	**2018**	**2017**
Salaries and Related	*Note 16*	$ 1,759,572	$ 423,050	$ 3,487,901	$ 998,904
Consulting and Professional Fees		572,430	276,904	1,253,900	574,284
Travel and Entertainment		286,262	71,215	556,984	116,870
Rent		177,883	47,303	402,995	89,364
Office		78,316	14,904	238,561	43,370
Other		1,030,612	28,984	1,669,995	420,933
Total		**$ 3,905,075**	**$ 862,360**	**$ 7,610,336**	**$ 2,243,725**

15. COMMITMENTS AND CONTINGENCIES

(a) Leased Assets

A lease of property and equipment is classified as a capital lease if it transfers substantially all the risks and rewards incidental to ownership to the Company. A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

(b) Office and Operating Leases

The Company leases its Chicago, Illinois headquarters under a non-cancelable sublease agreement with an affiliated entity, which expires in July 2019 (this sublease agreement is pursuant to a master lease agreement). Total rent expense was approximately $67,000 and $21,000 for the three months ended September 30, 2018 and 2017, respectively, and $110,000 and $63,000 for the nine months ended September 30, 2018 and 2017, respectively, which is included in cost of sales and selling, general and administrative expenses in the accompanying consolidated statements of operations.

The Company leases its cultivation facilities in Joliet, Lincoln, and Kankakee, Illinois from an affiliated entity. The commencement dates of the non-cancelable leases are determined based upon a Substantial Completion Date, as defined in the lease agreements, or six months after the Illinois Department of Agriculture awards the license. The Joliet lease commenced in December 2015, the Lincoln lease commenced in February 2016, and the Kankakee lease commenced in April 2016. The terms of these lease agreements are fifteen years from the commencement date. Rent expense for these facilities was approximately $1,047,000 and $1,047,000 for the three months ended September 30, 2018 and 2017, respectively, and $3,140,000 and $3,133,000 for the nine months ended September 30, 2018 and 2017, respectively, which is included in cost of sales in the accompanying consolidated statements of operations. For financial reporting purposes, rent expense has been recorded on a straight-line basis over the terms of the leases resulting in deferred rent liability of approximately $1,786,000 and $1,587,000 as of September 30, 2018 and December 31, 2017, respectively.

The Company leases its cultivation facility in Brookville, Pennsylvania. The non-cancelable lease commenced on June 30, 2017, upon the announcement of a successful license application, and terms after 60 months. Rent expense was approximately $40,500 and $40,500 for the three months ended September 30, 2018 and 2017, respectively, and $121,500 and $94,500 for the nine months ended September 30, 2018 and 2017, respectively. The Company leases dispensary locations in Butler, Pennsylvania and Pittsburgh, Pennsylvania, as well as an operating lease with 60-month terms and the option to extend. Rent expense was approximately $41,700 and $41,700 for the three months ended September 30, 2018 and 2017, respectively, and $115,000 and $86,000 for the nine months ended September 30, 2018 and 2017, respectively, with approximately $41,700 and $8,000 in deferred rent liability as of September 30, 2018 and December 31, 2017, respectively.

The Company leases a dispensary location in Wintersville, Ohio with a 60-month term and the option to extend. Rent expense was approximately $12,000 and $0 for the three months ended September 30, 2018 and 2017, respectively, and $12,000 and $0 for the nine months ended September 30, 2018 and 2017, respectively, with no deferred rent liability as of September 30, 2018 or December 31, 2017, respectively.

In addition, the Company is responsible for real estate taxes and operating expenses incurred by the building or facility in which it leases space. The Company was also required to pay to the affiliate a security deposit. The balance of the security deposit paid to the affiliate was approximately $1,354,000 and $1,325,000 as of September 30, 2018 and December 31, 2017, respectively.

(c) Contingencies

The Company's operations are subject to a variety of local, state, and federal regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local, state, and federal regulation as of September 30, 2018, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(d) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

16. RELATED PARTY TRANSACTIONS

The Company had a note payable due to its founders, see *Note 10.* Additionally, the Company leases its Illinois office and cultivation facilities from affiliated entities, see *Note 15(b).*

Compensation related to key management personnel included in salaries and related expenses for the three months ended September 30, 2018 and 2017 is $526,000 and $225,000, respectively, and for the nine months ended September 30, 2018 and 2017 is $1,015,000 and $363,000, respectively. Additionally, there is a balance of $0 and $172,000 included as a liability as of September 30, 2018 and December 31, 2017, respectively.

(Amounts Expressed in United States Dollars)

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, due from related parties, accounts payables and other accrued expenses, subscription deposits refundable, due to related party, and notes payable – related parties. The carrying values of these financial instruments approximate their fair values as of September 30, 2018 and December 31, 2017 due to their nature and relatively short maturity date.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels valuing these assets during the year.

The following table summarizes the Company's financial instruments as of September 30, 2018:

	Loans and Receivables	Other Financial Liabilities	Total
Financial Assets:			
Cash and Cash Equivelents	$ 93,916,298	$ -	$ 93,916,298
Accounts Receivable	$ 2,897,429	$ -	$ 2,897,429
Financial Liabilities:			
Accounts Payable and Accrued Expenses	$ -	$ 5,748,055	$ 5,748,055
Subscription Deposits Refundable	$ -	$ -	$ -
Notes Payable - Related Parties	$ -	$ -	$ -
Due to Related Party	$ -	$ 1,522,901	$ 1,522,901

(Amounts Expressed in United States Dollars)

The following table summarizes the Company's financial instruments as of December 31, 2017:

	Loans and Receivables	Other Financial Liabilities	Total
Financial Assets:			
Cash and Cash Equivelents	$ 27,043,219	$ -	$ 27,043,219
Accounts Receivable	$ 1,010,620	$ -	$ 1,010,620
Financial Liabilities:			
Accounts Payable and Accrued Expenses	$ -	$ 2,640,582	$ 2,640,582
Subscription Deposits Refundable	$ -	$ 399,800	$ 399,800
Notes Payable - Related Parties	$ -	$ 328,125	$ 328,125
Due to Related Party	$ -	$ 725,000	$ 725,000

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2018 and December 31, 2017 is the carrying amount of cash. The Company does not have significant credit risk with respect to its customers. Although all cash is placed with major U.S. financial institutions, there has been no change in the U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from business involved with the cannabis industry.

(b) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in *Note 10* and *Note 15*, the Company has certain other financial liabilities recorded on its unaudited consolidated balance sheets. As of both September 30, 2018 and

December 31, 2017, these liabilities are classified as current and are expected to be paid within one year or less.

(d) Market Risk

(i) Currency Risk

The Company had no exposure to foreign currency transaction or translation risk for the periods presented in these unaudited consolidated financial statements.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

(iv) Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E which bars businesses from deducting all expenses except their cost of goods sold (COGS) when calculating federal tax liability. Any negative increase in additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in tax pressures will be beneficial to future operations.

(v) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition.

The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect of unforeseen regulatory changes can have on the goals and operations of the business as a whole.

18. CAPITAL MANAGEMENT

The Company's objective is to maximize sufficient capital base so as to maintain investor, creditor, and customer confidence, future development of its business strategy and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year growth. The Company currently has not paid any dividends to its shareholders.

As of September 30, 2018 and December 31, 2017 total managed capital was comprised of members' equity of approximately $140,147,926 and $35,936,570, respectively.

There were no changes in the Company's approach to capital management during the year.

19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 10, 2018, which is the date on which these financial statements were available to be issued.

During the fourth quarter of 2018, the Company entered into a Loan Agreement with a borrower for up to $10,875,000 for a draw period ending on the last day of the thirteenth month following commencement of operations.

Subsequent to the period ended September 30, 2018, the Company entered into a definitive agreement to merge a subsidiary with and into Gloucester Street Capital, LLC ("GSC"), a New York limited liability company, the parent entity of Valley Agriceuticals, LLC to acquire 100% of the issued and outstanding units of GSC in exchange for $32,500,000 cash consideration and a maximum of an additional $10,000,000 in cash consideration over a five-year period, contingent upon performance; 13.5 million ($50,500,000) Class F units in the Company, of which 5.3 million are contingent upon future events (approximately $20,000,000); and 4,000,000 warrants to purchase shares in the Company, of which 2,000,000 are contingent upon future events.

In the fourth quarter of 2018, the Company completed its acquisition of 100% of the membership interests of FloraMedex, LLC, an Illinois limited liability company and an affiliated real estate entity in exchange for $10,000,000 cash consideration.

In the fourth quarter of 2018, the Company entered a binding Memorandum of Understanding with Hope Heal Health, Inc., a Massachusetts corporation, and an affiliated real estate entity, for consideration consisting of $27,500,000 in cash and the assumption of an outstanding mortgage loan on the affiliated real estate entity of approximately $850,000.

In the fourth quarter of 2018, the Company acquired 100% of the membership interests of Arizona Facilities Supply, LLC ("AFS"), an Arizona limited liability company, and its subsidiaries. Total consideration for the purchase was $25,300,000. $22,300,000 of the total consideration was in exchange for acquisition of AFS.

In the fourth quarter of 2018, the Company entered into a definitive agreement with MedMar, Inc. ("MedMar"), an Illinois corporation and the undersigned members of MedMar's subsidiaries, MedMar Lakeview, LLC, an Illinois limited liability company and MedMar Rockford, LLC, an Illinois limited liability company, to acquire 100% of the shares of MedMar, MedMar Lakeview, LLC and MedMar Rockford, LLC. Total consideration for purchase is $27,500,000, comprised of $10,000,000 in cash and $17,500,000 in equity units. Closing is subject to receipt of applicable regulatory approvals.

In the fourth quarter of 2018, the Company entered into a Unit Exchange Agreement with TINAD, LLC, an Illinois limited liability company to exchange a certain number of Class B membership units for the corresponding number of Class F membership units of the Company. Effective as of the Closing Date, the Company assumes operational control of TINAD, LLC and its wholly-owned subsidiary, PDI Medical III, LLC, an Illinois limited liability company.

In the fourth quarter of 2018, the Company completed a brokered private placement of 26,666,667 of new Class F units and closed its capital raise with $100,000,000 in new investment.

In November, in connection with its business combination with Randsburg, discussed in further detail below, Cresco Labs raised gross proceeds of $85 million comprised of funds from institutional investors.

In the fourth quarter of 2018, the Company completed a reverse takeover transaction of Randsburg, a Canadian publicly listed company. Pursuant to the Business Combination, a series of transactions were completed resulting in a reorganization of Cresco and Randsburg. As a result, Randsburg changed its name to Cresco Labs, Inc., consolidated its outstanding common shares, such that the shareholders of Randsburg retained an aggregate of C$2.2 million (Canadian dollar) in resulting issuer shares, replaced all directors and officers of Randsburg, and created a new class of non-participating super voting shares issued to certain principals of Cresco. On December 3, 2018, the Company began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "CL."