

CRESCO LABS INC. (FORMERLY RANDSBURG INTERNATIONAL GOLD CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIOD ENDED OCTOBER 31, 2018

The following Management Discussion and Analysis Report ("MD&A") of Randsburg International Gold Corp., as at and for the three and nine months ended October 31, 2018, do not reflect the completion of the Business Combination (as defined herein and described further below), which occurred after the balance sheet date.

The objective of this MD&A released by Cresco Labs Inc. (formerly Randsburg International Gold Corp., the "Company") is to allow the reader to assess our operating results as well as our financial position for the *three and nine month period ended October 31, 2018* compared to the *three and nine month period ended October 31, 2017*. This report is based on all available information up to *December 31, 2018* and should be read in conjunction with the financial statements for the year ended *January 31, 2018*, as well as the accompanying notes. *The January 31, 2018 audited annual* financial statements have been prepared under International Financial Reporting Standards "IFRS". Unless otherwise indicated, all amounts are expressed in Canadian dollars. This MD&A is prepared in conformance with National Instrument 51-102F1 and was approved by the Company's Audit Committee on *December 31, 2018*.

The Company discloses, on a regular basis, additional information on its operations, which is recorded on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at www.sedar.com.

Forward Looking Statement

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

The document may contain forward-looking statements that reflect management's current expectations with regards to future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ from expected results. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

Nature of Activities and Continuation of Exploration Activities

The Company was incorporated under the laws of British Columbia. Its principal business activity prior to the completion of the Business Combination (as defined below) was the acquisition and exploration of mineral property interests in Canada. Prior to the completion of the Business Combination, the Company had not determined whether its properties contain ore reserves which are economically recoverable. The recovery of the amounts shown for mining properties is dependent upon the existence of economically ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of its properties. The Company had no properties at October 31, 2018.

The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. The Company has not determined whether its properties contain ore reserves that are economically recoverable. The application of IFRS on a going concern basis may be inappropriate, since there is doubt as to the appropriateness of the going concern assumption.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the 2018 Financial Statements.

The shares of the Company were listed on the NEX Exchange and were traded under the symbol RGZ.H. On September

26, 2018, the Company received shareholder approval to delist the shares of the Company. The shares were subsequently delisted on October 12, 2018. The Subordinate Voting Shares (as defined below) of the Company began trading on the CSE (as defined below) on December 3, 2018, upon completion of the Business Combination.

Highlights of the Period

On October 12, 2018, the Company completed a non-brokered private placement offering of 43,333,333 units ("Units") at a price of \$0.0075 for gross proceeds of \$325,000 (the "Offering"). In addition, the Company closed its previously disclosed debt settlement with certain creditors of the Company, pursuant to which the Company has settled \$1,040,401 of debt by issuing 138,720,173 common shares in the capital of the Company ("Common Shares") at a deemed price of \$0.0075 per Common Share (the "Debt Settlement"). Each Unit comprised of one Common Share and one common share purchase warrant ("Warrant"). Each Warrant entitled the holder thereof to purchase one further Common Share for a period of 24 months following closing of the Offering at a price of \$0.0075 per Common Share. All Common Shares and Warrants issued pursuant to the Offering and Debt Settlement (collectively, the "Transactions") are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with applicable securities legislation.

The company's shareholders approved an amendment to its articles and notice of articles to amend the rights and restrictions of the existing class of Common Shares and re-designate such class as subordinate voting shares; to create a class of super voting shares; and to create a class of proportionate voting shares. This change was not effected until immediately prior to completion of the Business Combination.

On October 9, 2018, the Company and Cresco Labs, LLC ("Cresco") entered into a binding letter agreement (the "Definitive Agreement") whereby the business of the Company, Cresco, Cresco Labs SPV Inc. ("Blockerco"), Cresco U.S. Corp., Cresco Labs Finco Ltd. ("Finco") and two subsidiaries of the Company combined their respective businesses (the "Business Combination"). Pursuant to the Definitive Agreement, the Company agreed to, among other things, call a shareholder meeting to seek approval of shareholders of the Company for certain matters in connection with the Business Combination. Upon the satisfaction or waiver of the conditions to the completion of the Business Combination, including without limitation the completion of a name change, a consolidation, and changes to the Company's capital structure, the parties will complete the Business Combination.

Following completion of the Business Combination, the former securityholders of Cresco, Finco and Blockerco hold a significant majority of the outstanding common shares (re-designated Subordinate Voting Shares) of the Company. As part of the completion of the Business Combination, the Company changed its name to "Cresco Labs Inc."

On November 30, 2018, the Company announced that its business combination with Cresco Labs, LLC (the "Business Combination") had been completed and that its subordinate voting shares (the "Subordinate Voting Shares") had been approved for listing on the Canadian Securities Exchange ("CSE") under the symbol "CL". The Subordinate Voting Shares began trading on the CSE on Monday, December 3, 2018.

During 2018, the Company sold its interest in its Titan Project in Flett and Angus Townships in Ontario, Canada.

Titan Iron-Titanium-Vanadium Project - Flett and Angus Townships, Ontario, Canada

The Titan Project is an Iron-Titanium-Vanadium project located in Flett and Angus Townships in Ontario. The Titan Project comprises 1,038 contiguous hectares (2,564 acres) of 3 claims (48 units) and 17 patented claims. Flett and Angus Townships are located 120 kilometres northeast of Sudbury, Ontario and 50 kilometres north of the City of North Bay. The Project is subject to a 3% NSR that can be purchased by the Company for \$ 1,500,000.

On January 15, 2010 the Company announced that it had entered into a definitive agreement with Prophecy Resource Corp. (TSX-V: PCY) whereby Prophecy has been granted the option to earn an 80% interest in its Titan Project.

Under the agreement, Prophecy has the right to acquire an 80% interest in the Titan Project by paying Randsburg an aggregate of \$500,000 and incurring \$200,000 in Exploration Expenditures by December 31, 2010. Randsburg has the option to sell its remaining 20% interest in the project to Prophecy until December 31, 2012 for \$150,000 or 400,000 common shares of Prophecy. The Company has received \$500,000 in respect of the option, however Prophecy incurred

\$85,258 in Exploration Expenditures in 2010 and agreed to pay Randsburg \$114,742 in lieu of the balance of the contractual 2010 Exploration Expenditures. Due to delays in development, the company wrote off costs of \$1,936,201, leaving the property at its net realizable value of \$350,000 as at January 31, 2011.

On January 25, 2017 the Company entered into an agreement with Prophecy Development Corporation to sell its remaining 20% interest in certain mining claims in its Flett & Angus Township Property. The consideration was received on February 10, 2017 consisted 20,000 common shares of Prophecy Development Corporation with a fair market value of \$96,200 based on the quoted market price of the shares.

Selected Annual Information

	Years ended January 31		
	2018	2017	2016
	\$	\$	\$
Interest revenue	-	-	-
(Loss) Income	(105,303)	(141,569)	66,223
Per share-basic and fully-diluted	(0.00)	(0.00)	(0.00)
Total assets	2,268	99,264	156,065

Results of Operations

For the Years ended January 31

	2018	2017	2016
	\$	\$	\$
Amortization	-	19	86
Consulting fees	12,752	12,150	10,000
Listings and transfer agents fees	9,325	11,535	10,642
Interest and bank charges	51,324	40,375	37,031
Management fees	18,000	18,000	18,000
Office and miscellaneous	1,481	2,074	11,836
Professional fees	13,240	12,384	18,454
	(106,122)	(96,537)	(106,049)
Other Items			
Write off of equipment	-	(358)	-
Write down of mining interest	-	(56,769)	-
Interest and penalties	-	-	11,152
Reversal of allowance for loan receivable	-	-	147,272
Cost recoveries	819	12,095	13,848
(Loss) income and comprehensive (loss) income for the year	(105,303)	(141,569)	66,223

Comparison of **2018** results to **2017** results: The increase in expenses in 2018 as compared to the previous year was due to the following factors:

- The increase in operating expenses in 2018 as compared to 2017 is primarily due to an increase in operating expenses including interest and bank charges by \$1,627, office and miscellaneous by \$1,598 and listing and transfer agent's fees by \$2,231 offset by decrease in consulting expenses of \$252, legal fees of \$1,000 and management fees of \$1,500.
- The Company recorded a gain on debt settlement of \$14,968 in 2018 compared to nil in 2017.

Comparison of **2017** results to **2016** results: The reduction in expenses in 2017 as compared to the previous year was due to the following factor:

- The decrease in operating expenses in 2017 as compared to 2016 is primarily due to a reduction in operating expenses including a reduction in office and miscellaneous by \$9,762 as well as professional fees by \$6,070. These were offset by increases in consulting fees by \$2,150, listing and transfer agents' fees by \$893 and

interest and bank charges by \$3,334.

- The Company recorded recoveries of \$12,095 in 2017 as compared to \$13,848 in 2016 and a write down of mining interests of \$56,769 in 2017 as compared to nil in 2016.

For the three months ended October 31, 2018 and 2017

	<u>October 31,</u> <u>2018</u>	<u>October 31,</u> <u>2017</u>
Operating expenses		
Consulting	\$ 11,490	\$ 2,500
Interest and bank charges	2,270	9,940
Listing and transfer agent fees	4,244	-
Management fees	28,200	4,500
Legal expenses	26,990	-
Audit fees	12,240	-
Office and miscellaneous	<u>3,051</u>	<u>-</u>
Total operating expenses	(88,485)	(16,940)
Cost recoveries	<u>4,544</u>	<u>-</u>
Net Loss and Comprehensive Loss for the Period	<u><u>\$ (83,941)</u></u>	<u><u>\$ (16,940)</u></u>

Comparison of October 31, 2018 results to October 31, 2017 results:

- The increase in operating expenses in 2018 as compared to 2017 is primarily due to an increase in consulting expenses of \$8,990, increase in listing and transfer agents' fees of \$4,244, increase in management fees of \$23,700, increase in legal expenses of \$26,990, increase in audit fees of \$12,240 and an increase in office and miscellaneous expenses of \$3,051 offset by a decrease in interest and bank charges of \$7,670.
- The company recorded cost recoveries of \$4,544 in the current quarter.

Summary of Quarterly Results

	Q3-19 (i)	Q2-19 (ii)	Q1-19 (iii)	Q4-18 (iv)	Q3-18 (v)	Q2-18 (vi)	Q1-18 (vii)	Q4-17 (viii)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss) (\$)	(83,941)	393	(26,683)	(49,809)	(16,940)	(20,631)	(17,923)	(87,800)
Per share (\$)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.000)

- (i) The loss for the current quarter shows an increase in consulting expenses of \$8,990, increase in listing and transfer agents' fees of \$4,244, increase in management fees of \$23,700, increase in legal expenses of \$26,990, increase in audit fees of \$12,240 and an increase in office and miscellaneous expenses of \$3,051 offset by a decrease in interest and bank charges of \$7,670.
- (ii) The income for the quarter ended July 31, 2018 shows a reduction in consulting fees by \$2,752, interest and bank charges by \$1,433, listing and transfer agent fees by \$1,970 and management fees by \$1,500 offset by increase in office and miscellaneous by \$1,599. In the quarter ended July 31, 2018, the company recorded a gain on debt settlements of \$14,968.
- (iii) The loss for the first quarter of 2019 shows an increase in listing and transfer agents' fees of \$4,201 and a reduction in professional fees of \$ 1,000 and an increase in interest and bank charges of \$3,059.
- (iv) The loss for the fourth quarter of 2018 shows an increase in operating expenses in 2018 as compared to 2017 is primarily due to an increase in in listing and transfer agents' fees of \$3,567 and professional fees of \$ 1,326 and

interest and bank charges of \$12,476.

The Company recorded cost recoveries in the amount of \$819 in 2018 and \$2,095 in 2017. The Company recorded a write down of mining interests of \$nil in 2018 and \$56,769 in 2017.

- (v) The loss for the third quarter of 2018 shows a decrease in operating expenses in 2017 as compared to 2016 is primarily due to a decrease in operating expenses including a reduction in interest and bank charges of \$406 and a decrease in listing and transfer agents' fees of \$3,337 and recorded cost recoveries of \$10,000 in 2016.
- (vi) The loss for the second quarter of 2018 shows a decrease in operating expenses in 2017 as compared to 2016 is primarily due to a decrease in operating expenses including a reduction in office and miscellaneous by \$93, a reduction in professional fees by \$470, a decrease in interest and bank charges of \$1,219 and a decrease in listing and transfer agents' fees of \$4,167. The Company wrote off its equipment in the amount of \$358 in 2016.
- (vii) The loss for the first quarter of 2018 as compared to 2017 shows a decrease in operating expenses in 2017 as compared to 2016 of \$1,018 is due to a reduction in operating expenses including a reduction in office and miscellaneous by \$636, an increase in professional fees by \$1,000, a decrease in interest and bank charges by \$892 and an increase listing and transfer agents' fees of \$1,528. The Company sold its remaining interest in its mineral property interest in the period resulting in no gain or loss during the period as the property interest was written down to its net realizable value at the year ended January 31, 2017.
- (viii) The loss for the fourth quarter of 2017 as compared to 2016 shows a decrease in operating expenses in 2017 as compared to 2016 of \$15,317 and is due to a reduction in operating expenses including a reduction in office and miscellaneous by \$7,566 as well as professional fees by \$6,540 and interest and bank charges by \$2,535. These were offset by an increase listing and transfer agents' fees of \$1,343. The Company recorded recoveries of \$2,095 in 2017 as compared to \$3,400 in 2016. The Company recorded a write down of mining interests of \$56,769 in 2017 and nil in 2016.
- (ix) The loss for the third quarter of 2017 as compared to 2016 shows an increase in operating expenses in 2017 as compared to 2016 of \$6,177 and is due to an increase in listing and transfer agent's fees of \$ 1,361; an increase in interest and bank charges of \$7,982; a decrease in office and miscellaneous by \$ 3,295 which contributed to the overall increase in operating expense in 2017. The Company recorded recoveries of \$10,000 in the third quarter of 2017 as compared to nil for the same period in 2016.

The Company is not in commercial production on any of its mineral resource properties, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration programs. The cost and duration of future exploration programs will depend on the results of current exploration programs and therefore, the Company is not able to forecast future cash requirements.

As at October 31, 2018, the Company had working capital deficit of \$82,463 and cash in bank of \$95,982. This compares to a working capital deficit of \$1,312,633 and cash in bank of \$nil as at January 31, 2018.

Risks and Uncertainties

The Company, prior to the completion of the Business Combination, was in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to finance its operations and to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to, the Company's access to additional capital to fund future activities, the loss of mineral properties or

the inability to obtain mining licenses, the inherently risky nature of the Company's activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, the political stability and economic uncertainty of those areas in which the Company carries on operations and the lack of infrastructure in those areas, title risks, the risks and uncertainties associated with joint ventures and the Company's reliance on third parties, statutory and regulatory compliance, the adequacy and availability of insurance coverage, the Company's dependence upon employees and consultants and fluctuations in mineral prices.

Significant Accounting Policies

Basis of preparation and going concern

These quarterly financial statements for the three and nine-month period ended October 31, 2018 are presented in accordance with International Accounting Standards "IFRS" as issued by the International Accounting Standards Board ("IASB"). The Company's accounting policies are set in detail on Note 3 of the January 31, 2018 audited financial statements.

Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after February 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

New and future accounting changes

The Company has adopted the following amendments effective February 1, 2018:

(i) IFRS 9 – Financial Instruments

Classification and measurement apply to classification and measurement of financial assets and liabilities as defined in IAS 39. This amendment is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The adoption of this standard had no material impact on the financial statements.

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

IFRS 15 was issued in May 2014 when the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard had no material impact on the financial statements.

The Company has not yet adopted the following amendments:

(iii) IFRS 2 – Share-based Payment ("IFRS 2")

In June 2016, the IASB issued amendments to IFRS 2, which clarify how to classify and measure certain type of share-based payment transactions. These amendments are effective for annual periods beginning on or after January 1, 2019 and can be applied prospectively. The adoption of this standard had no material impact on the financial statements. The following has not yet been adopted and are being evaluated to determine its impact on the Company.

(iv) IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance

leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

(v) IFRIC 23 – Uncertainty over Income tax treatments

This interpretation clarifies how to apply the measurement and recognition requirements in IAS 12, Income taxes when there is uncertainty over income tax treatments. In such a circumstance, the Company shall recognize and measure its current or deferred tax asset or liability applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. This interpretation is effective for annual periods beginning on or after January 1, 2019. The Company has not yet determined the impact of this interpretation on the financial statements.

New accounting policies:

During 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7 and IAS 12. These new standards and changes did not have any material impact on the Company's financial statements.

Financial instruments and other instruments

Financial assets:

The Company's current financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, liabilities related to flow through financing and due to related parties. The carrying values approximate the fair values of these financial instruments due to the short-term maturity of these items.

Off-Balance Sheet Arrangements:

The Company has no off-balance sheet arrangements.

Proposed Transactions:

There are no proposed transactions of a material nature being considered by the Company at the date of the MD&A. However, the Company continues to evaluate properties and corporate opportunities to advance its exploration, development and objectives.

Related Party Transactions

During the three-month period ended October 31, 2018 and 2017, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

a) During the quarter, the Company paid \$25,000 as finder's fee and \$28,200 as management fees to one of the directors of the Company. The Company also paid \$11,490 to two directors of the Company as consultancy fees during the current quarter.

b) In July 2018 related party debt with a face value of \$870,241 was sold to unrelated parties. As follows:

George Van Voorhis III	\$105,933
Elena Opara	235,554
Michael Opara	21,077
Matthew Chodorowicz	112,086
Genesis- An Environmental Corporation	<u>395,591</u>
	<u>\$870,241</u>

As at October 31, 2018 and January 31, 2018 due to related parties includes the following:

	October 31, 2018	January 31, 2018
Advances from a former director, George Van Voorhis III of \$33,970 (2018 - \$30,026), that bears interest at an annual rate of 12%, are unsecured, and have no fixed terms of repayment. The total includes accrued interest of \$nil (2018 - \$75,907).	\$ 33,970	\$ 105,933
Advances net of repayment from Elena Opara, a person related to the former president of the Company that bears interest at an annual rate of 12% and have no fixed terms of repayment. The advances are secured by a General Security Agreement. The total includes accrued interest of \$14,188 (2018 - \$141,927).	26,268	261,821
Advances due to a former director, William Quan that are unsecured, non-interest bearing and have no fixed terms of repayment.	22,152	22,152
Advances due to a former director, Matthew Chodorowicz that are unsecured, non-interest bearing and have no fixed terms of repayment.	1,500	112,086
Amounts due to a former President and a company controlled by the president and director, Michael Opara that are unsecured, non-interest bearing and have no fixed terms of repayment.	<u>6,879</u>	<u>416,669</u>
	\$ 90,769	\$ 918,661

Commitments and Contingencies

In the ordinary course of business activities, the Company is a party in certain litigation and other claims. Management believes that the resolution of such litigation and claim will not have a material effect on the financial position of the Company.

In October 2018, an outstanding liability with the Canada Revenue Agency (CRA) totaling \$88,811 including interest was paid off.

Disclosure of Outstanding Share Data

As at October 31, 2018, the Company had 210,327,445 (28,273,939 – January 31, 2018) common shares issued and outstanding. There were no stock options to acquire common shares outstanding. In connection with the non-brokered private placement offering of 43,333,333 units in October 2018, there were share warrants attached to each unit which entitled the holder thereof to purchase one further common share for a period of 24 months following the closing of the offering at a price of \$0.0075 per common share.

Subsequent Events

On November 30, 2018, the Company announced that the Business Combination had been completed and that the Subordinate Voting Shares had been approved for listing on the CSE under the symbol “CL.” The Subordinate Voting Shares began trading on the CSE on Monday, December 3, 2018.