MEDMEN ENTERPRISES INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in United States Dollars Unless Otherwise Stated)

MEDMEN ENTERPRISES INC.
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UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

MEDMEN ENTERPRISES INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
September 30, 2018 and June 30, 2018
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		September 30, 2018	June 30, 2018
ASSETS			
Current Assets:			
Cash and Cash Equivalents		$ 63,498,583	$ 79,159,970
Restricted Cash	*Note 2(g)*	1,410,987	6,163,599
Accounts Receivable	*Note 4*	312,413	318,159
Current Portion of Prepaid Rent - Related Party	*Note 20*	1,910,451	1,898,863
Prepaid Expenses		12,046,165	9,387,047
Biological Assets	*Note 5*	1,654,226	1,952,580
Inventory	*Note 6*	9,504,289	6,248,754
Other Current Assets	*Note 11*	16,861,153	2,790,772
Due from Related Party	*Note 20*	4,386,653	3,509,035
Total Current Assets		111,584,920	111,428,779
Prepaid Rent - Related Party, Net of Current Portion	*Note 20*	2,166,811	2,652,149
Property and Equipment, Net	*Note 7*	122,595,565	88,748,447
Intangible Assets, Net	*Note 9*	110,792,236	48,792,757
Goodwill	*Note 10*	18,165,161	18,165,161
Other Assets		9,060,378	12,403,049
TOTAL ASSETS		**$ 374,365,071**	**$ 282,190,342**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	*Note 12*	$ 34,626,048	$ 18,001,505
Other Current Liabilities		21,497,926	1,186,148
Current Portion of Notes Payable	*Note 14*	60,148,545	52,353,625
Derivative Liabilities	*Note 13*	6,684,375	-
Due to Related Party	*Note 20*	5,798,307	9,858,445
Total Current Liabilities		128,755,201	81,399,723
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	*Note 14*	-	3,593,334
Total Non-Current Liabilities		-	3,593,334
TOTAL LIABILITIES		128,755,201	84,993,057
SHAREHOLDERS' EQUITY:			
Share Capital		206,774,588	129,145,994
Additional Paid-In Capital		51,873,686	47,091,271
Accumulated Deficit		(79,125,151)	(66,647,221)
Total Equity Attributable to Shareholders of MedMen		179,523,123	109,590,044
Non-Controlling Interest	*Note 15(f)*	66,086,747	87,607,241
TOTAL SHAREHOLDERS' EQUITY		245,609,870	197,197,285
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 374,365,071**	**$ 282,190,342**

Nature of Operations *(Note 1)*
Commitments and Contingencies *(Note 18)*
Subsequent Events *(Note 22)*

Approved and authorized for issue on behalf of the Shareholders on November 29, 2018:

"Adam Bierman"	*"James Miller"*
Chief Executive Officer	Interim Chief Financial Officer

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

MEDMEN ENTERPRISES INC.
Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
Three Months Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Revenue		$ 21,460,195	$ 1,806,555
Cost of Goods Sold		9,809,333	1,204,786
Gross Profit Before Fair Value Adjustment		11,650,862	601,769
Unrealized Loss on Changes in Fair Value of Biological Assets	*Note 5*	(1,947,936)	-
Gross Profit		9,702,926	601,769
Expenses:			
General and Administrative	*Note 18*	65,739,450	5,136,693
Sales and Marketing		4,800,233	170,782
Depreciation and Amortization		2,450,320	678,218
Total Expenses		72,990,003	5,985,693
Loss from Operations		(63,287,077)	(5,383,924)
Other Expense (Income):			
Interest Expense		2,410,032	348,587
Amortization of Debt Discount		58,758	-
Change in Fair Value of Derivative Liabilities	*Note 13*	(773,929)	-
Other Expense		105,627	-
Total Other Expense		1,800,488	348,587
Loss Before Provision for Income Taxes		(65,087,565)	(5,732,511)
Provision for Income Taxes		1,408,658	-
Net Loss and Comprehensive Loss		(66,496,223)	(5,732,511)
Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest	*Note 15(f)*	54,018,293	423,804
Net Loss and Comprehensive Loss Attributable to MedMen Enterprises Inc.		**$ (12,477,930)**	**$ (5,308,707)**
Earnings (Loss) Per Share - Basic and Diluted	*Note 18*	**$ (1.42)**	
Attributable to MedMen Enterprises Inc. Shareholders		$ (0.27)	
Attributable to Non-Controlling Interest		$ (1.15)	
Weighted-Average Shares Outstanding - Basic and Diluted	*Note 18*	**46,948,133**	

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

MEDMEN ENTERPRISES INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders’ Equity (Deficit)
Three Months Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Number of Shares / Units			$ Amount					TOTAL EQUITY		
	Share Capital	*Super Voting Shares*	*Class A/B/C/D/P Units*	Share Capital	Super Voting Shares	Class A/B/C/D/P Units	Additional Paid-In Capital	Accumulated Deficit	ATTRIBUTABLE TO SHAREHOLDERS OF MEDMEN	Non-Controlling Interest	TOTAL SHAREHOLDERS’ EQUITY
BALANCE AS OF JULY 1, 2017	**-**	**-**	***176,756***	**-**	**-**	**18,685,290**	**-**	**14,894,575**	**33,579,865**	**-**	**33,579,865**
Net Loss	-	-	-	-	-	-	-	(5,308,707)	(5,308,707)	(423,804)	(5,732,511)
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	597,010	597,010
Issuance of Class C Units	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class D Units	-	-	*6,915*	-	-	3,750,000	-	-	3,750,000	-	3,750,000
Conversion of Debt into Class D Units	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class P Units, Non-Cash Compensation	-	-	*3,399*	-	-	251,422	-	-	251,422	-	251,422
Contributions from Members	-	-	-	-	-	-	-	-	6,369,916	667,039	7,036,955
BALANCE AS OF SEPTEMBER 30, 2017	**-**	**-**	***187,070***	**$ -**	**$ -**	**$ 22,686,712**	**$ -**	**$ 9,585,868**	**$ 38,642,496**	**$ 840,245**	**$ 39,482,741**
BALANCE AS OF JULY 1, 2018	***45,216,974***	***1,630,590***	**-**	**$ 129,145,994**	**$ -**	**$ -**	**$ 47,091,271**	**$ (66,647,221)**	**$ 109,590,044**	**$ 87,607,241**	**$ 197,197,285**
Net Loss	-	-	-	-	-	-	-	(12,477,930)	(12,477,930)	(54,018,293)	(66,496,223)
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	200,000	200,000
Issuance of Subordinate Voting Shares for Cash Received, Net of Fees	*15,681,818*	-	-	61,579,231	-	-	-	-	61,579,231	-	61,579,231
Derivative Liability Incurred on Issuance of Equity	-	-	-	(7,458,304)	-	-	-	-	(7,458,304)	-	(7,458,304)
Issuance of MedMen Corp Redeemable Shares for Conversion of Convertible Debentures	-	-	-	3,802,381	-	-		-	3,802,381	-	3,802,381
Issuance of Subordinate Voting Shares in Redemption of MedMen Corp Redeemable Shares	*9,942,348*	-	-	13,588,780	-	-	-	-	13,588,780	(13,588,780)	-
Issuance of LLC Redeemable Units for Acquisition of Treadwell Simpson Partnership	-	-	-	-	-	-	-	-	-	39,141,780	39,141,780
Exercise of Warrants	-	-	-	6,116,506	-	-	-	-	6,116,506	-	6,116,506
Issuance of MedMen Corp Redeemable Shares for Licensing Rights	-	-	-	-	-	-	-	-	-	343,678	343,678
Share-Based Compensation	-	-	-	-	-	-	4,782,415	-	4,782,415	6,401,121	11,183,536
BALANCE AS OF SEPTEMBER 30, 2018	***70,841,140***	***1,630,590***	**-**	**$ 206,774,588**	**$ -**	**$ -**	**$ 51,873,686**	**$ (79,125,151)**	**$ 179,523,123**	**$ 66,086,747**	**$ 245,609,870**

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

MEDMEN ENTERPRISES INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
Three Months Ended September 30, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Loss	$ (66,496,223)	$ (5,732,511)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	2,661,950	868,499
Amortization of Debt Discount	58,758	-
Share-Based Compensation	11,183,536	251,422
Change in Fair Value of Derivative Liabilities	(773,929)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	5,746	-
Prepaid Rent - Related Party	473,750	515,000
Prepaid Expenses and Other Current Assets	(9,885,821)	(197,574)
Biological Assets	1,947,936	-
Inventory	(4,905,117)	(1,319,124)
Due from Related Party	(877,618)	434,505
Other Assets	3,342,671	239,301
Accounts Payable and Accrued Liabilities	16,624,543	680,385
Other Current Liabilities	436,778	(230,157)
Due to Related Party	(4,060,138)	(1,250,432)
NET CASH USED IN OPERATING ACTIVITIES	**(50,263,178)**	**(5,740,686)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(21,654,267)	(3,971,154)
Investments	(6,500,000)	-
Acquisition of Businesses, Net of Cash Acquired	(6,625,000)	-
Restricted Cash	4,752,612	(472,136)
NET CASH USED IN INVESTING ACTIVITIES	**(30,026,655)**	**(4,443,290)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of MedMen Redeemable Shares for Cash	61,579,231	-
Exercise of Warrants for MedMen Redeemable Shares	6,116,506	-
Contributions from Members	-	6,369,916
Proceeds from Issuance of Notes Payable	2,473,339	-
Principal Repayments of Notes Payable	(5,740,630)	(4,257,437)
Cash Received from Issuance of Class D Units	-	3,750,000
Contributions - Non-Controlling Interest	200,000	667,039
NET CASH PROVIDED BY FINANCING ACTIVITIES	**64,628,446**	**6,529,518**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(15,661,387)**	**(3,654,458)**
Cash and Cash Equivalents, Beginning of Period	79,159,970	5,720,026
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 63,498,583**	**$ 2,065,568**
CASH PAID DURING PERIOD FOR:		
Interest	$ 3,537,422	$ 348,587
OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net Assets Acquired through Management Agreement	$ -	$ 597,010
Derivative Liability Incurred on Issuance of Equity	$ 7,458,304	$ -
Issuance of MedMen Corp Redeemable Shares for Other Assets	$ 343,678	$ -
Redemption of MedMen Corp Redeemable Shares	$ 13,588,780	$ -
Conversion of Convertible Notes into Equity	$ 3,802,381	$ -
Issuance of Note Payable Related to Purchase of Management Agreement	$ -	$ 2,025,000
Issuance of Note Payable Related to Purchase of Property and Equipment	$ 11,212,500	$ -

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

1. NATURE OF OPERATIONS

MedMen Enterprises Inc. ("MedMen Enterprises" or the "Company"), formerly known as Ladera Ventures Corp., was incorporated under the Business Corporations Act (British Columbia) on May 21, 1987. The Company's Class B Subordinate Voting Shares are listed on the Canadian Stock Exchange under the symbol "MMEN", on the OTCQX under the symbol "MMNFF", on the Frankfurt Stock Exchange under the symbol "OJS.F", on the Stuttgart Stock Exchange under the symbol "OJS.SG", on the Munich Stock Exchange under the symbol "OJS.MU" and on the Berlin Stock Exchange under the symbol "OJS.BE". The head office and principal address of the Company is 10115 Jefferson Boulevard, Culver City, California 90232. The Company's registered and records office address is 885 West Georgia Street, Suite 2200, Vancouver, British Columbia Canada V6C 3E8. The Company operates through its wholly-owned subsidiaries, MM Can USA, Inc., a California corporation ("MM Can"), and MM Enterprises USA, LLC, a Delaware limited liability company ("MM Enterprises USA").

MM Can was converted into a California corporation (from a Delaware corporation) on May 16, 2018 and is based in Culver City, California. The head office and principal address of the Company is 10115 Jefferson Boulevard, Culver City, California 90232.

MM Enterprises USA was formed on January 9, 2018 and is based in Culver City, California. The head office and principal address of the company is 10115 Jefferson Boulevard, Culver City, California 90232.

The MedMen Group of Companies was comprised of the following companies: MMMG LLC; MMOF Downtown Collective, LLC; MMOF Venice, LLC; MMOF Venice Collective, LLC; MMOF BH Collective, LLC; Project Compassion Venture, LLC; The MedMen of Nevada 2, LLC; Project Mustang Development, LLC; Desert Hot Springs Green Horizon, Inc.; and Manlin DHS Development, LLC.

On January 24, 2018, pursuant to a Formation and Contribution Agreement (the "Agreement"), a roll-up transaction was consummated whereby the assets and liabilities of The MedMen Group of Companies were transferred into MM Enterprises USA. In return, the vendors of the businesses of The MedMen Group of Companies received 217,184,382 MM Enterprises USA Class B Units. The Agreement was entered into by and among MM Enterprises Manager, LLC, the sole manager of MM Enterprises USA; MMMG LLC ("MMMG"); MedMen Opportunity Fund, LP ("Fund I"); MedMen Opportunity Fund II, LP ("Fund II"); The MedMen of Nevada 2 LLC ("MMNV2"); DHSM Investors, LLC ("DHS Owner"); and Bloomfield Partners Utica, LLC ("Utica Owner"). See *"Note 15 – Shareholders' Equity (d) Formation and Contribution - MM Enterprises USA, LLC"* for further information.

References herein to the "Company" for the three months ended September 30, 2017 means the MedMen Group of Companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of Presentation *(Continued)*

The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year ended June 30, 2018.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 29, 2018.

(b) Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments and biological assets, which are measured at fair value.

(c) Functional Currency

The Company and its affiliates' functional currency, as determined by management, is the United States ("U.S.") dollar. These unaudited condensed interim consolidated financial statements are presented in U.S. dollars. All references to "C$" refer to Canadian dollars.

(d) Basis of Consolidation

These unaudited condensed interim consolidated financial statements as of and for the three months ended September 30, 2018 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in IFRS 10. Subsidiaries over which the Company has control 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. All of the consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated on consolidation.

The following are the Company's wholly-owned subsidiaries that are included in these unaudited condensed interim consolidated financial statements as of and for the three months ended September 30, 2018:

Corporate Entities

Entity		Location	Purpose
MedMen Enterprises Inc.	*(7)*	Canada	Parent Company
MM Can USA, Inc.	*(8)*	California	Manager of MM Enterprises USA, LLC
MM Enterprises USA, LLC	*(11)*	Delaware	Operating Entity

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation *(Continued)*

The following are MM Enterprises USA's wholly-owned subsidiaries and entities over which the Company has control that are included in these unaudited condensed interim consolidated financial statements as of and for the three months ended September 30, 2018:

Cultivation Entities

Subsidiaries		Location	Purpose
Project Mustang Development, LLC	*(13)*	Northern Nevada	Cultivation and Production Facility
The MedMen of Nevada 2, LLC	*(13)*		
MMNV2 Holdings I, LLC	*(13)*		
MMNV2 Holdings II, LLC	*(13)*		
MMNV2 Holdings III, LLC	*(13)*		
MMNV2 Holdings IV, LLC	*(13)*		
MMNV2 Holdings V, LLC	*(13)*		
Manlin DHS Development, LLC	*(13)*	Desert Hot Springs, CA	Cultivation and Production Facility
Desert Hot Springs Green Horizon, Inc.	*(10)*		
Project Compassion Venture, LLC	*(11)*	Utica, NY	Cultivation and Production Facility
MME Florida, LLC	*(15)*	Eustis, Florida	Cultivation and Production Facility

Real Estate Entities

Subsidiaries		Location	Purpose
MMOF Venice Parking, LLC	*(9)*	Venice Beach - Lincoln Blvd.	Parking Lot
MME RE AK, LLC	*(9)*	Venice Beach - Abbot Kinney	Building
MMOF RE SD, LLC	*(9)*	San Diego - Kearny Mesa	Building
MMOF RE Vegas 2, LLC	*(13)*	Las Vegas - The Strip	Building
MMOF RE Fremont, LLC	*(13)*	Las Vegas - Downtown Arts District	Building
MME RE BH, LLC	*(9)*	Los Angeles - Beverly Hills	Building
NVGN RE Holdings, LLC	*(13)*	Nevada	Genetics R&D Facility/ Warehouse

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation *(Continued)*

Retail Entities

Subsidiaries		Location	Purpose
CYON Corporation, Inc.	*(8)*	Los Angeles - Beverly Hills	Dispensary
BH Fund II Group, LLC	*(9)*		
MMOF Downtown Collective, LLC	*(9)*	Los Angeles - Downtown	Dispensary
Advanced Patients' Collective	*(8)*		
DT Fund II Group, LLC	*(8)*		
Nature's Cure, Inc.	*(1) (2) (8)*	Los Angeles - LAX Airport	Dispensary
LAX Fund II Group, LLC	*(1) (2) (9)*		
Manlin LLC	*(1) (3) (9)*	Los Angeles - West Hollywood	Dispensary
Farmacy Collective	*(1) (4) (10)*		
The Source Santa Ana	*(1) (5) (8)*	Orange County - Santa Ana	Dispensary
SA Fund Group RT			
MMOF San Diego Retail, Inc.	*(9)*	San Diego - Kearny Mesa	Dispensary
San Diego Retail Group II, LLC	*(8)*		
Venice Caregiver Foundation, Inc.	*(1) (6) (8)*	Venice Beach - Abbot Kinney	Dispensary
MMOF Venice, LLC	*(9)*	Venice Beach - Lincoln Blvd.	Dispensary
The Compassion Network, LLC	*(8)*		
MMOF PD, LLC	*(9)*	Palm Desert	Dispensary
MMOF Palm Desert, Inc.	*(8)*		
MMOF SM, LLC	*(9)*	Santa Monica	Dispensary
MMOF Santa Monica, Inc.	*(8)*		
MMOF Fremont, LLC	*(13)*	Las Vegas - Downtown Arts District	Dispensary
MMOF Fremont Retail, Inc.	*(12)*		
MME SF Retail, Inc.	*(08)*	San Francisco	Dispensary
MMOF Vegas, LLC	*(13)*	Las Vegas - North Las Vegas	Dispensary
MMOF Vegas Retail, Inc.	*(12)*		
Project Compassion Venture, LLC	*(11)*	Manhattan	Dispensary
Project Compassion Capital, LLC	*(11)*		
Project Compassion NY, LLC	*(11)*	Syracuse	Dispensary
MedMen NY, Inc.	*(14)*		
		Lake Success	Dispensary
		Buffalo	Dispensary

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation *(Continued)*

(1) Subsidiary over which the Company has control. Subsidiaries over which the Company has control 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. All of the consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated on consolidation.

(2) Nature's Cure, Inc. is owned by MedMen Opportunity Fund II, LP and under control of the Company through a management agreement.

(3) Manlin, LLC contains the operations of the MedMen West Hollywood dispensary ("WeHo"). The Company has a management agreement with i5 Holdings Ltd. ("i5") to manage WeHo, which is owned by i5, an entity controlled or owned by Captor Capital, which indirectly holds membership interests in the Company.

(4) Farmacy Collective, similar to Manlin, LLC, contains the operations of WeHo. The Company has a management agreement with i5 to manage WeHo, which is owned by i5, an entity controlled or owned by Captor Capital, which indirectly holds membership interests in the Company.

(5) The Source Santa Ana contains the operations of the MedMen Santa Ana dispensary ("Santa Ana"). The Company has a management agreement with i5 to manage Santa Ana, which is owned by i5, an entity controlled or owned by Captor Capital, which indirectly holds membership interests in the Company

(6) Venice Caregivers Foundation, Inc. is owned by MedMen Opportunity Fund I, LP and under control of the Company through a management agreement.

(7) British Columbia, Canada Corporation

(8) California Corporation

(9) California Limited Liability Company

(10) California Non-Profit Corporation

(11) Delaware Limited Liability Company

(12) Nevada Corporation

(13) Nevada Limited Liability Company

(14) New York Corporation

(15) Florida Limited Liability Company

(e) Basis of Combination (Pre Reverse-Takeover)

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of affiliates are included in the combined financial statements from the date that control commences until the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Basis of Combination (Pre Reverse-Takeover) *(Continued)*

These combined financial statements included the accounts of the Company and its affiliates:

- MMMG LLC, a Nevada limited liability company
- MMOF Downtown Collective, LLC, a California limited liability company
  - Advanced Patients' Collective, a California corporation
    - .. DT Fund II Group, Inc., a California corporation
- MMOF Venice, LLC, a California limited liability company
  - DogHat, Inc., a California corporation
- MMOF Venice Collective, LLC, a California limited liability company
  - The Compassion Network LLC, a California limited liability company
- Project Compassion Venture, LLC, a Delaware limited liability company
  - Project Compassion Capital, LLC, a Delaware limited liability company
    - .. Project Compassion New York, LLC, a Delaware limited liability company
  - Bloomfield Industries, Inc., a New York corporation
  - MedMen NY, Inc., a New York corporation
- The MedMen of Nevada 2, LLC, a Nevada limited liability company
- Project Mustang Development, LLC, a Nevada limited liability company
- Desert Hot Springs Green Horizon, Inc., a California non-profit corporation
- Manlin DHS Development, LLC, a Nevada limited liability company

All significant intercompany balances and transactions were eliminated on combination.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash.

(g) Restricted Cash

Restricted cash balances are those that meet the definition of cash and cash equivalents but are not available for use by the Company. As of September 30, 2018 and June 30, 2018, restricted cash was $1,410,987 and $6,163,599, respectively, which is used to pay for lease costs and costs incurred related to building construction in Desert Hot Springs, California. This account is managed by a contractor and the Company is required to maintain a certain minimum balance.

(h) Accounts Receivable

The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. The Company does not accrue interest receivable on past due accounts receivable. There was no allowance as of September 30, 2018 and June 30, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investments

An investment by the Company is first determined if there is control and should be consolidated or has significant influence or does not have control or significant influence. Investments that are controlled are consolidated. 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. Subsequent to initial recognition, the carrying value of the Company's investment in an associate is adjusted for the Company's share of comprehensive income (loss) and distributions of the investee. The carrying value of associates is assessed for impairment at each balance sheet date. Investments that are neither 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 did not recognize any impairments in investments at fair value or investments in associates.

(j) Biological Assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the initial basis for the cost of finished goods inventories after 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.

Beginning in June 2018, the Company adopted IAS 41 to account for biological assets at its cultivation facilities in Utica, New York and Sparks, Nevada. Counts of biological assets in various stages of cultivation were counted and values reported in the state-approved systems (Biotrack for New York; Metric for Nevada) were used to compute biological asset fair values.

(k) 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. Biological assets are transferred into inventory at their fair value at the point of harvest, which becomes the cost of the inventory. Packaging and supplies are initially valued at cost. 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 June 30, 2018, the Company determined that no reserve was necessary.

On September 30, 2018, the Company conducted company-wide physical inventory counts in conjunction with a third-party inventory company

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Building	39 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	7 Years
Manufacturing Equipment	7 Years
Construction in Progress	Not Depreciated

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 Consolidated Statements of Operations in the year the asset is derecognized.

(m) Intangible Assets

Intangible assets are 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 of definite life intangibles is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.

The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. The Company's indefinite life intangible assets is comprised of the Florida dispensary license. This license does not expire, as such, there is no foreseeable limit to the period over which this asset is expected to generate future cash inflows to the Company.

Marijuana dispensary licenses are recorded at their acquisition date fair value and are amortized on a straight-line basis over a period of 15 years. Customer relationships are recorded at their acquisition date fair value and are amortized on a straight-line basis over a period of 5 years. Management agreements are recorded at their acquisition date fair value and are amortized on a straight-line basis over a period of 30 years.

(n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Goodwill *(Continued)*

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.

(o) 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 of 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.

(p) Derivative Liabilities

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. In calculating the fair value of derivative liabilities, the Company uses the Black-Scholes option-pricing model for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's Subordinate Voting Shares, the fair market value of the price of the Company's Subordinate Voting Shares and the expected life of the convertible debenture. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the consolidated statements of financial position as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the statements of financial position date.

(q) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current Tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income Taxes *(Continued)*

Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(r) Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. Non-controlling interest is be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

(s) Revenue Recognition

The Company has adopted IFRS 15, *Revenue from Contracts with Customers* for the three months ended September 30, 2018.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue upon delivery of goods to customers since at this time performance obligations are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Research and Development

Research and development costs are expensed as incurred. For the three months ended September 30, 2018 and 2017, there were no research and development costs.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development to use or sell the asset. To date, no development costs have been capitalized.

(u) Share-Based Compensation

MM Enterprises USA has a share-based compensation plan comprised of three classes of units: 1) Common Units; 2) Appreciation Only Long-Term Incentive Performance Units ("AO LTIP Units"); and 3) Fair Value Long-Term Incentive Performance Units ("FV LTIP Units"). AO LTIP Units and FV LTIP Units are convertible into Long-Term Incentive Performance Units ("LTIP Units") upon vesting. LTIP Units are convertible into Common Units on a one-for-one basis.

Equity-settled share-based payments to employees are measured at the fair value of the units at the grant date and recognized in expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

(v) Financial Instruments

Effective July 1, 2018, the Company adopted IFRS 9, *Financial Instruments*.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39, *Financial Instruments: Recognition and Measurement*, to the new measurement categories under IFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Financial Instruments *(Continued)*

Classification

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

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

Financial Assets at Fair Value Through Comprehensive Income

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

Measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Financial Instruments *(Continued)*

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company's Classification and Measurements of Financial Assets and Liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and Cash Equivalents	FVTPL	Fair Value	Loans and Receivables	Fair Value
Restricted Cash	FVTPL	Fair Value	Loans and Receivables	Fair Value
Due from Related Party	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Investments	FVTPL	Fair Value	Held for Trading	Fair Value
Accounts Payable and Accrued Liabilities	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost
Other Current Liabilities	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost
Derivative Liabilities	FVTPL	Fair Value	Other Liabilities	Fair Value
Notes Payable	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's unaudited condensed interim 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 unaudited condensed interim consolidated financial statements are described below.

(i) 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.

(ii) 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.

(iii) Biological Assets

In calculating the value of biological assets and inventory, management is required to make a number of estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, selling costs, average or expected selling and list prices, expected yields for the plants, and oil conversion factors. See *"Note 5 - Biological Assets"* for further information on estimates used in determining the fair value of biological assets.

(iv) Business Combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Significant Accounting Judgments, Estimates and Assumptions *(Continued)*

(iv) Business Combinations *(Continued)*

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 the assets concerned and any changes in the discount rate applied. See *"Note 8 – Acquisitions and Mergers"*.

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. However, the measurement period will last for one year from the acquisition date.

(v) Convertible Notes Payable

Convertible notes payable are compound financial instruments, which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay the principal and coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. If certain criteria are met, the residual amount is accounted for as an equity instrument at issuance.

The identification of convertible notes payable components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(vi) Share-Based Compensation

The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-based grants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Significant Accounting Judgments, Estimates and Assumptions *(Continued)*

(vii) Goodwill Impairment

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

(viii) Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(x) Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable, or where it has been determined do not have a significant impact to the Company, have been excluded herein.

(i) IFRS 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 is examining the potential impact of this new standard on its consolidated financial statements.

3. REVERSE TAKEOVER TRANSACTION

(a) Reverse Takeover

As of April 30, 2018, the Company entered into a definitive agreement (the "Transaction") with Ladera Ventures Corp. ("Ladera") pursuant to which the Company would effect an RTO of Ladera. Immediately prior to the Transaction, Ladera completed a share consolidation, resulting in an aggregate of approximately 1,449,291 post-consolidation common shares outstanding pre-Transaction, and a name change to MedMen Enterprises Inc. The former shareholders of Ladera retained 1,449,291 shares in the continuing entity which is accounted for as a deemed issuance of shares. As a result, a non-cash listing expense of $4,899,215 was recorded in the statement of operations and comprehensive loss for the year ended June 30, 2018.

As part of the Transaction, unit holders of MM Enterprises exchanged their ownership for Class B Redeemable Shares in MedMen Corp. (the legal subsidiary and accounting acquiror). Each Class B Redeemable Share is exchangeable for one Class B Subordinate Voting Share in MedMen Enterprises Inc. On close of the Transaction, the former unit holders of MM Enterprises controlled approximately 93% of the continuing entity through the Class B Redeemable Shares. In accordance with IFRS 3, this is presented as a non-controlling interest. See *"Note 15 – Shareholders' Equity - (f) Non-Controlling Interest"* for further detail.

The Transaction was completed on May 28, 2018 and the Class B Subordinate Voting Shares of the Company began trading on the Canadian Securities Exchange under the ticker "MMEN" on May 29, 2018.

(b) Private Placement Offering of Subscription Receipts

Prior to the Transaction, the Company completed, through a special purpose corporation, a private placement of 27,301,729 subscription receipts (the "Private Placement") for gross proceeds of approximately C$143,000,000. Concurrently with the closing of the Transaction, each subscription receipt automatically converted into one common share of the special purpose corporation that was exchanged into one Class B Subordinate Voting Share of the Company.

The agents in the Private Placement received as compensation 8.1% of the gross proceeds of the brokered portion of the financing (C$10,529,998).

Upon closing of the Transaction, executives of the Company received as compensation 30,314,334 FV LTIPS and 1,570,065 Common Units. These units will be treated as equity as the ability to redeem for cash is at the discretion of MM Enterprises USA.

Upon closing of the Transaction, 1,630,590 Super Voting Shares of the Company were issued for nominal consideration.

4. ACCOUNTS RECEIVABLE

As of September 30, 2018 and June 30, 2018, accounts receivable were $312,413 and $318,159, respectively. As of September 30, 2018 and June 30, 2018, there were no allowances recorded.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

5. BIOLOGICAL ASSETS

Biological assets consist of live cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the three months ended September 30, 2018 is as follows:

Balance at Beginning of Period	$ 1,952,580
Costs Incurred Prior to Harvest to Facilitate Biological Transformation	1,649,582
Net Benefit of Biological Transformation	(1,947,936)
Balance at End of Period	**$ 1,654,226**

On average, the growing time for a full harvest approximates 14 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:

- The selling prices, which are based on average market prices in the states where the Company operated during the three months ended September 30, 2018;
- The cost to complete the cannabis production process post-harvest and the cost to sell;
- The stage of plant growth; and
- Expected yields from each cannabis plant.

The Company measures the yield of cannabis in active milligrams extracted from a plant. A plant typically produces a total of approximately 73.26 grams, which is comprised of THC and CBD. The Company has quantified the sensitivity of the inputs in relation to the biological assets for the three months ended September 30, 2018 and expects that:

Significant Inputs and Assumptions	**Range of Inputs**	**Sensitivity**	**Effect on Fair Value as of September 30, 2018**
Selling Price Per Active Gram	$5.28 to $6.54	Increase 5%	$ 102,595
		Decrease 5%	$ (102,516)
Estimated Yield Per Cannabis Plant	23.96 to 127.36 grams	Increase 5%	$ 82,654
		Decrease 5%	$ (82,672)
Costs of Production Per Gram	$1.83 to $3.03	Increase 5%	$ -
		Decrease 5%	$ -

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

6. INVENTORY

As of September 30, 2018 and June 30, 2018, inventory consisted of the following:

	September 30, 2018	June 30, 2018
Raw Materials	$ 473,649	$ 175,087
Work-in-Process	1,002,431	822,366
Finished Goods	8,028,209	5,251,301
Total Inventory	**$ 9,504,289**	**$ 6,248,754**

7. PROPERTY AND EQUIPMENT

As of September 30, 2018 and June 30, 2018, property and equipment consisted of the following:

	September 30, 2018	June 30, 2018
Land and Buildings	$ 74,265,991	$ 52,922,744
Furniture and Fixtures	6,850,720	5,610,957
Leasehold Improvements	12,607,986	11,438,968
Manufacturing Equipment	13,738,345	10,062,858
Construction in Progress	20,142,329	12,203,077
Total Property and Equipment, Gross	127,605,371	92,238,604
Less: Accumulated Depreciation	(5,009,806)	(3,490,157)
Total Property and Equipment, Net	**$ 122,595,565**	**$ 88,748,447**

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as of July 1, 2018	**$ 92,238,604**	**$ (3,490,157)**	**$ 88,748,447**
Additions	32,866,767	-	32,866,767
Business Acquisitions	2,500,000	-	2,500,000
Depreciation	-	(1,519,649)	(1,519,649)
Balance as of September 30, 2018	**$ 127,605,371**	**$ (5,009,806)**	**$ 122,595,565**

Depreciation expense of $1,519,649 and $304,744 was recorded for the three months ended September 30, 2018 2017, respectively, of which $211,630 and $190,282, respectively, is included in cost of goods sold.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS

(a) Business Acquisitions

(i) Treadwell Simpson Partnership

On September 6, 2018, MM Enterprises USA completed the acquisition of a dispensary and cultivation license and related assets from Florida-based Treadwell Simpson Partnership and affiliates ("Treadwell"). The acquisition was accounted for in accordance with IFRS 3, "*Business Combinations*" ("IFRS 3"). The assets consisted primarily of the State of Florida issued dispensary and cultivation license and a cultivation facility. The license permits MM Enterprises USA to open 30 (and up to 35 if certain conditions are met) medical marijuana dispensaries in the State of Florida and to conduct cultivation, delivery and manufacturing operations in the State of Florida. As part of the transaction, MM Enterprises USA also acquired Treadwell's cultivation facility situated on five acres near Orlando.

As consideration for the acquisition, MM Enterprises USA will pay $65,641,780, $26,500,000 of which is in cash. For the remainder, MM Enterprises USA issued 8,549,132 LLC Redeemable Units of MM Enterprises USA, which by their terms are ultimately redeemable for Class B Subordinate Voting Shares of the Company starting on January 1, 2019. MM Enterprises USA has paid Treadwell $6,625,000 in cash as of the closing date and will pay the same amount in cash on each of the dates that are three, six and nine months after the closing date

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 6,625,000
Installment Loan	19,875,000
LLC Redeemable Units of MM Enterprises USA	39,141,780
Total Consideration	**$ 65,641,780**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses that 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 be affected. The Company expects to finalize the accounting for the acquisition by June 30, 2019.

The following table summarizes the preliminary accounting estimates of the acquisition with a purchase price of $65,641,780:

Land	$ 2,500,000
Intangible Assets – Dispensary License (Indefinite Life)	63,141,780
Preliminary Accounting Estimates of Net Assets Acquired	**$ 65,641,780**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(a) Business Acquisitions *(Continued)*

(i) Treadwell Simpson Partnership (Continued)

The Company also incurred $745,223 of acquisition related costs, which were expensed in the current period.

For the three months ended September 30, 2018, Treadwell accounted for $1,274,508 in net loss and no revenue since September 6, 2018.

(ii) Nevada Wellness Project, LLC

On June 29, 2018, the Company acquired all of the assets (except certain excluded assets) of Nevada Wellness Project, LLC, a Nevada limited liability company ("Nevada Wellness"). The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the state of Nevada issued dispensary license, customer relationships and fixed assets.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 6,825,000
Installment Loan	6,325,000
Total Consideration	**$ 13,150,000**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses that 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 be affected. The Company expects to finalize the accounting for the acquisition by June 30, 2019.

The following table summarizes the final accounting estimates of the acquisition with a purchase price of $13,150,000:

Fixed Assets	$ 784,000
Intangible Assets:	
Customer Relationships	2,940,000
Dispensary License	2,585,000
Total Identifiable Net Assets	6,309,000
Goodwill	6,841,000
Final Accounting Estimates of Net Assets Acquired	**$ 13,150,000**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(a) Business Acquisitions *(Continued)*

(ii) Nevada Wellness Project, LLC (Continued)

The Company also incurred $255,090 of acquisition related costs, which were expensed in the current period.

For the year ended June 30, 2018, Nevada Wellness accounted for $300,998 in net loss since June 29, 2018. This amount included revenues of $9,937.

(iii) San Diego Health and Wellness Center, Inc.

On February 16, 2018, the Company acquired all of the assets (except certain excluded assets) of San Diego Health and Wellness Center, Inc., dba Apothekare, a California non-profit mutual benefit corporation ("SD Health") and the rights to operate and manage SD Health from SDHW Management, LLC, a California limited liability company ("SDHW Management"). The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the city of San Diego issued dispensary license, customer relationships and fixed assets.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 11,600,000
Total Consideration	**$ 11,600,000**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses that 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 be affected. The Company expects to finalize the accounting for the acquisition by December 31, 2018.

The following table summarizes the final accounting estimates of the acquisition with a purchase price of $11,600,000:

Fixed Assets	$ 276,000
Intangible Assets:	
Customer Relationships	3,560,000
Dispensary License	3,675,000
Total Identifiable Net Assets	7,511,000
Goodwill	4,089,000
Final Accounting Estimates of Net Assets Acquired	**$ 11,600,000**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(a) Business Acquisitions *(Continued)*

(iii) San Diego Health and Wellness Center, Inc. *(Continued)*

For the year ended June 30, 2018, SD Health accounted for $1,483,626 in net loss since February 16, 2018. This amount included revenues of $2,993,631.

(iv) Just Quality, LLC

On February 9, 2018, the Company acquired all of the assets of Just Quality, LLC, dba Panacea Cannabis, a Nevada limited liability company ("Just Quality"). The acquisition was accounted for as a business combination in accordance with IFRS 3. The assets consisted primarily of the state of Nevada issued dispensary license, customer relationships and fixed assets.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 10,000,000
Total Consideration	**$ 10,000,000**

The purchase price allocation for the acquisition, as set forth in the table below, reflects various preliminary fair value estimates and analyses that are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocation that are not yet finalized 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 be affected. The Company expects to finalize the accounting for the acquisition by December 31, 2018.

The following table summarizes the final accounting estimates of the acquisition with a purchase price of $10,000,000:

Fixed Assets	$ 214,000
Intangible Assets:	
Customer Relationships	3,490,000
Dispensary License	5,225,000
Total Identifiable Net Assets	8,929,000
Goodwill	1,071,000
Final Accounting Estimates of Net Assets Acquired	**$ 10,000,000**

The Company also incurred $440,619 of acquisition related costs, which were expensed in the current period.

For the year ended June 30, 2018, Just Quality accounted for $1,470,659 in net loss since February 9, 2018. This amount included revenues of $703,102.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(a) Business Acquisitions *(Continued)*

(v) LVMC, LLC

On January 19, 2018, the Company entered into an Option and Asset Purchase Agreement (the "Agreement") to acquire all of the assets of LVMC, LLC, dba Cannacopia, a Nevada limited liability company ("LVMC"). The assets consist primarily of the state of Nevada issued dispensary license, customer relationships, inventory and fixed assets. Per the Agreement, the purchase price will be $10,000,000 plus the cost of the inventory. The acquisition closed in October 2018 and the Company began retail operations at its current location in November 2018 with the intention of moving operations to real property purchased at 3035 Highland Drive, Las Vegas, Nevada 89109 and 3025 Highland Drive, Las Vegas, Nevada 89109, respectively.

(b) Asset Acquisitions

(i) Real Property (Land and Building)

On May 7, 2018, the Company entered into a standard offer agreement to acquire the land and building located at 106-110 South Robertson Boulevard, Los Angeles, California 90048 for $17,250,000.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 6,037,500
Note Payable	11,212,500
Total Consideration	**$ 17,250,000**

(ii) Woodstock Ventures LC

In August 2018, the Company executed an exclusive license agreement with Woodstock Ventures LC and its affiliate, The Woodstock Cannabis Company (collectively, "Woodstock"), granting the Company rights to use the iconic Woodstock brand on cannabis products manufactured and sold by the Company in six states: California, Nevada, Massachusetts, Florida, Illinois and Arizona. The agreement grants the Company such rights to manufacture and distribute such products to its stores or third-party retailers in those six states.

(iii) Real Property (Land and Building)

On February 9, 2018, the Company entered into a standard offer agreement to acquire the land and building located at 823 South Third Street, Las Vegas, Nevada 89101 for $1,750 000.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 1,750,000
Total Consideration	**$ 1,750,000**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(b) Asset Acquisitions *(Continued)*

(iv) Real Property (Building)

In connection with the SD Health acquisition, on February 16, 2018, the Company acquired the building housing SD Health located at 5125 Convoy Street, San Diego, California 92111 from P2 Properties, LLC, a California limited liability company for $8,800,000.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 8,800,000
Total Consideration	**$ 8,800,000**

(v) Management Agreement

On September 13, 2017, MMOF BH Collective, LLC ("MMBH"), a company controlled by MMMG LLC, entered into an Asset Purchase Agreement (the "Agreement") with CC-DTHC Facilities Management, LLC, a California limited liability company ("DTHC"), and its member, pursuant to the terms of which, MMBH acquired specific assets of DTHC. DTHC, through a management agreement dated September 11, 2017, manages CYON Corporation, Inc. ("CYON"), a California public benefit corporation, which operates a medical marijuana dispensary in Los Angeles, California.

The purpose of this acquisition was to acquire the medical marijuana dispensary license of CYON through the management agreement. The acquisition was accounted for as an asset acquisition.

The intent of the purchase was the acquisition and assignment of:

- All of DTHC and/or DTHC's member(s) rights under the management agreement with CYON referenced above, as well as any other operational rights and management authority in CYON.
- Any and all interests that DTHC and/or its member(s) have in CYON board rights.
- All intellectual property rights in CYON, including but not limited to social media controlled by DTHC or its member(s).
- All goodwill associated with DTHC, CYON and the purchased assets.

MMBH did not acquire the assets or operations of CYON (i.e., inventories, operating assets, or employees), but rather, the ability to manage such assets under the management agreement.

The total purchase price was $4,000,000, which consisted of $2,000,000 in cash and a note payable for $2,000,000 (the "Note"). An additional $2,000,000 was paid for assignment and finder's fees, which have been capitalized. Pursuant to the terms of the Agreement, the Note plus accrued interest would be paid upon the approval by the City of Los Angeles for a Measure M permit to operate a cannabis business as a medical marijuana dispensary. In June 2018, the permit was granted by the City of Los Angeles and the Note plus accrued interest was repaid.

8. ACQUISITIONS AND MERGERS *(Continued)*

(b) Asset Acquisitions *(Continued)*

(v) Management Agreement *(Continued)*

MMBH did not acquire any liabilities of DTHC prior to the Purchase Agreement date, but the Purchase Agreement provided for a purchase holdback up to twenty percent of the purchase price to offset any potential liabilities incurred by MMBH within twelve months of the closing date of the Purchase Agreement. No known liabilities have been incurred nor accounted for.

Under the terms of the management agreement, the Company shall be compensated for services as follows: (i) Management Fee equal to 25% of earnings before income taxes, depreciation and amortization; (ii) Design Fee equal to 1.5% of the total approved construction budget; and (iii) Construction Management Fee equal to 5.0% of the total approved construction budget.

(vi) Real Property (Parking Lot)

On September 1, 2017, the Company entered into an agreement (the "Agreement") to purchase certain real property in Los Angeles for a total purchase price of $3,250,000. The property includes an approximately 1,598 square foot one-story dormant motel building on an approximately 4,003 square foot lot, an approximately 2,000 square foot lot, and an approximately 2,001 square foot lot (collectively, the "Property"), located at 416 South Lincoln Boulevard, Los Angeles, California 90291. The Company plans to develop the Property into a parking lot for its Venice dispensary.

In connection with the Agreement, the Company issued two secured promissory notes. The first secured promissory note was issued for $1,625,000 and refinanced on April 23, 2018. The new secured promissory note was issued for $2,250,000, which matures on April 30, 2019 and bears interest at a rate of 15% per annum. The second secured promissory note was issued for $400,000 and refinanced on May 13, 2018. The new secured promissory note was issued for $603,131, which matures on April 30, 2019 and bears interest at a rate of 15% per annum.

(vii) Real Property (Building)

On August 7, 2017, the Company entered into an agreement (the "Agreement") to purchase certain real property in Venice, California for a total purchase price of $19,350,000. The property consists of a retail building located at 1308-1312 Abbot Kinney, Venice, California 90291. The Company opened a retail dispensary on this property.

In connection with the Agreement, the Company issued a promissory note dated March 13, 2018 for $10,500,000, which was refinanced on April 23, 2018. The new secured promissory note was issued for $15,450,000, which matures on April 30, 2019 and bears interest at a rate of 15% per annum.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(b) Asset Acquisitions *(Continued)*

(viii) Real Property (Land and Buildings)

On January 8, 2018 and July 17, 2017, the Company entered into agreements to purchase certain real property in Las Vegas for a total purchase price of $2,700,000 and $1,300,000, respectively. The property consists of land, buildings and improvements located at 3035 Highland Drive, Las Vegas, Nevada 89109 and 3025 Highland Drive, Las Vegas, Nevada 89109, respectively. The Company plans to move a dispensary to this location.

(ix) Advanced Patients' Collective

On June 9, 2017, MMOF Downtown Collective, LLC ("MMOF-DTLA"), a company controlled by MMMG LLC, acquired all of the capital stock of Advanced Patients' Collective, a California corporation, dba Kushmart ("APC"). The acquisition was accounted for as an asset acquisition. The assets consisted primarily of the medical marijuana dispensary license, property and equipment and a lease deposit.

The following table summarizes the consideration for the asset acquisition:

	Purchase Price
Closing Payment:	
Deposit Due May 15, 2017	$ 2,000,000
Total Closing Payment	2,000,000
Promissory Note:	
Installment Payment Due July 1, 2017	500,000
Installment Payment Due September 1, 2017	100,000
Installment Payment Due October 1, 2017	100,000
Installment Payment Due November 1, 2017	1,300,000
Total Promissory Note	2,000,000
TOTAL	**$ 4,000,000**

The following table summarizes the assets acquired:

Assets Acquired	Value
ATM Machine	$ 4,700
Property and Equipment	133,531
Deposits	21,000
Measure M City of Los Angeles License	3,840,769
Total Assets Acquired	**$ 4,000,000**

8. ACQUISITIONS AND MERGERS *(Continued)*

(c) Investments

(i) ToroVerde Inc.

In July 2018, the Company entered into a Private Placement Subscription Agreement with ToroVerde Inc., an investment company focused on emerging international cannabis markets, particularly the United States. Under the terms of the Agreement, the Company purchased 9,000,000 common shares at a subscription price of $0.56 per common share. See *"Note 11 – Other Current Assets"* for further information.

(ii) The Hacienda Company, LLC

In July 2018, the Company completed a strategic minority investment in The Hacienda Company, LLC, which owns Lowell Herb Co., a California-based cannabis brand known for its pack of pre-rolls called Lowell Smokes. Lowell Smokes has established itself as one of the strongest cannabis brand names in California. It is the top selling pre-roll flower brand in our stores to date. See *"Note 11 – Other Current Assets"* for further information.

(iii) Joint Venture

On March 19, 2018, the Company entered into a joint venture agreement with Cronos Group Inc. ("Cronos") to develop products and open MedMen branded stores in Canada's adult-use market. Cronos Group is a Canadian producer and distributor of cannabis. The joint venture, called MedMen Canada Inc. ("MedMen Canada"), will develop branded products and open stores across Canada, leveraging Cronos' Canadian reach and expertise, as well as MedMen's retail expertise. The joint venture will be a 50/50 partnership between the two companies. MedMen Canada will be focused on a branded national retail chain, branded products, and research and development activities. MedMen Canada will have access to Cronos' 350,000 plus square feet of production facilities and future expansions while leveraging MedMen's retail brand recognition. MedMen Canada will only operate in federally legal jurisdictions and in compliance with all applicable regulations.

(d) Mergers

(i) CYON Corporation, Inc. and MMOF BH Collective, LLC

On December 13, 2017, in accordance with Sections 1113 and 17710 of the Corporations Code of the State of California, CYON and MMBH entered into an agreement providing for the merger of MMBH with and into CYON. Both companies were under the control of the Company and there was no impact on the consolidated financial statements.

(ii) The Compassion Network and DogHat, Inc.

On December 4, 2017, in accordance with Section 1100 of the Corporations Code of the State of California, The Compassion Network and DogHat, Inc. entered into an agreement providing for the merger of DogHat with and into The Compassion Network. Both companies were under the control of the Company and there was no impact on the consolidated financial statements.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(e) Control Through Management Service Agreements (Common Control Transactions)

(i) The Source Santa Ana

In July 2017, the Company obtained control of The Source Santa Ana through a management service agreement. The Source Santa Ana is owned by Captor Capital, a related party of the Company at the applicable times for this analysis. The Source Santa Ana holds a cannabis retail permit and operates a cannabis retail dispensary in Santa Ana, California. The management service agreement gives the Company significant management rights over the operations and provides for fee based upon the operating results of the retail dispensary. Additionally, the agreement provides for a termination clause that would allow the Company to obtain a significant fee based upon certain events. Through the management service agreement, the Company has power to control the relevant activities of The Source Santa Ana, provides for exposure to variable returns and through its powers, is able to use its power to affect the amount of returns to the Company. As a result of the control obtained through the management service agreement and as a result of Captor Capital being a related party at the applicable times for this analysis, The Source Santa Ana was treated as a contribution to the Company. The assets and liabilities were consolidated into the Company's consolidated financial statements. The equity of The Source Santa Ana is recorded as a contribution through non-controlling interest. Subsequent to September 30, 2018, the Company acquired The Source Santa Ana from Captor Capital.

The following table summarizes the assets, liabilities and equity consolidated upon the date of control:

Cash	$ 21,337
Other Current Assets	370,246
Property and Equipment	533,235
Other Assets	165,000
Total Assets	**$ 1,089,818**
Accounts Payable	$ 86,291
Other Current Liabilities	406,517
Total Liabilities	**$ 492,808**
Total Equity	**$ 597,010**

For the year ended June 30, 2018, The Source Santa Ana accounted for $2,509,304 in net loss since July 2017. This amount included revenues of $3,600,795.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(e) Control Through Management Service Agreements (Common Control Transactions) *(Continued)*

(ii) Manlin LLC and Farmacy Collective

In December 2017, the Company obtained control of Manlin and Farmacy Collective through a management service agreement. Manlin and Farmacy Collective are owned by Captor Capital, a related party of the Company at the applicable times for this analysis. Manlin and Farmacy Collective hold a cannabis retail permit and operate a cannabis retail dispensary in West Hollywood, California. The management service agreement gives the Company significant management rights over the operations and provides for fee based upon the operating results of the retail dispensary. Additionally, the agreement provides for a termination clause that would allow the Company to obtain a significant fee based upon certain events. Through the management service agreement, the Company has power to control the relevant activities of Manlin and Farmacy Collective, provides for exposure to variable returns and through its powers, is able to use its power to affect the amount of returns to the Company. As a result of the control obtained through the management service agreement and as a result of Captor Capital being a related party at the applicable times for this analysis, Manlin and Farmacy Collective was treated as contributions to the Company. The assets and liabilities were consolidated into the Company's consolidated financial statements. The equity of Manlin and Farmacy Collective is recorded as a contribution through non-controlling interest.

The following table summarizes the assets, liabilities and equity consolidated upon the date of control:

Cash	$	186,944
Other Current Assets		1,344,796
Due from Related Party		510,313
Property and Equipment		399,314
Total Assets	**$**	**2,441,367**
Accounts Payable	$	1,705,446
Other Current Liabilities		125,761
Total Liabilities	**$**	**1,831,2074**
Total Equity	**$**	**610,160**

For the year ended June 30, 2018, Manlin and Farmacy Collective accounted for $159,823 in net loss since December 2017. This amount included revenues of $12,661,597.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(e) Control Through Management Service Agreements (Common Control Transactions) *(Continued)*

(iii) Venice Caregivers Foundation

In November 2017, the Company obtained control of Venice Caregivers Foundation through a management service agreement. Venice Caregivers Foundation is owned by Fund II, a related party of the Company at the applicable times for this analysis. Venice Caregivers Foundation holds a cannabis retail permit and operates a cannabis retail dispensary in Venice Beach, California. The management service agreement gives the Company significant management rights over the operations and provides for fee based upon the operating results of the retail dispensary. Additionally, the agreement provides for a termination clause that would allow the Company to obtain a significant fee based upon certain events. Through the management service agreement, the Company has power to control the relevant activities of Venice Caregivers Foundation, provides for exposure to variable returns and through its powers, is able to use its power to affect the amount of returns to the Company. As a result of the control obtained through the management service agreement and as a result of the Fund II being a related party, Venice Caregivers Foundation was treated as a contribution to the Company. The assets and liabilities were consolidated into the Company's consolidated financial statements. The equity of Venice Caregivers Foundation is recorded as a contribution through non-controlling interest.

The following table summarizes the assets, liabilities and equity consolidated upon the date of control:

Property and Equipment	$	3,451,396
Other Assets		25,200
Total Assets	**$**	**3,476,596**
Total Liabilities	**$**	**-**
Total Equity	**$**	**3,476,596**

For the year ended June 30, 2018, Venice Caregivers Foundation accounted for $1,402,906 in net loss since November 2017. This amount included revenues of $1,223,299.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. ACQUISITIONS AND MERGERS *(Continued)*

(e) Control Through Management Service Agreements (Common Control Transactions) *(Continued)*

(iv) Nature's Cure

In November 2017, the Company obtained control of Nature's Cure through a management service agreement. Nature's Cure is owned by Fund II, a related party of the Company. Nature's Cure holds a cannabis retail permit and operates a cannabis retail dispensary in Los Angeles, California. The management service agreement gives the Company significant management rights over the operations and provides for fee based upon the operating results of the retail dispensary. Additionally, the agreement provides for a termination clause that would allow the Company to obtain a significant fee based upon certain events. Through the management service agreement, the Company has power to control the relevant activities of Nature's Cure, provides for exposure to variable returns and through its powers, is able to use its power to affect the amount of returns to the Company. As a result of the control obtained through the management service agreement and as a result of the Fund II being a related party, Nature's Cure was treated as a contribution to the Company. The assets and liabilities were consolidated into the Company's consolidated financial statements. The equity of Nature's Cure is recorded as a contribution through non-controlling interest.

The following table summarizes the assets, liabilities and equity consolidated upon the date of control:

Property and Equipment	$ 11,739
Total Assets	**$ 11,739**
Accounts Payable	$ 5,000
Total Liabilities	**$ 5,000**
Total Equity	**$ 6,739**

For the year ended June 30, 2018, Nature's Cure accounted for $1,767,457 in net loss since November 2017. This amount included revenues of $2,677,447.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

9. INTANGIBLE ASSETS

As of September 30, 2018, intangible assets consisted of the following:

	Balance at July 1, 2018 (Gross)	Additions from Acquisitions	Write-Offs	Balance at September 30, 2018 (Gross)	Accumulated Amortization	Balance at September 30, 2018 (Net)
Intangible Assets - Finite Life:						
Dispensary Licenses	$ 33,255,069	$ -	$ -	$ 33,255,069	$ (2,849,662)	$ 30,405,407
Customer Relationships	13,786,200	-	-	13,786,200	(2,396,707)	11,389,493
Management Agreement	6,000,000	-	-	6,000,000	(144,444)	5,855,556
Total Intangible Assets - Finite Life	53,041,269	-	-	53,041,269	(5,390,813)	47,650,456
Intangible Assets - Indefinite Life:						
Dispensary License	-	63,141,780	-	63,141,780	-	63,141,780
Total Intangible Assets - Indefinite Life	-	63,141,780	-	63,141,780	-	63,141,780
Total Intangible Assets	**$ 53,041,269**	**$ 63,141,780**	**$ -**	**$ 116,183,049**	**$ (5,390,813)**	**$ 110,792,236**

As of June 30, 2018, intangible assets consisted of the following:

	Balance at July 1, 2017 (Gross)	Additions from Acquisitions	Write-Offs	Balance at June 30, 2018 (Gross)	Accumulated Amortization	Balance at June 30, 2018 (Net)
Dispensary Licenses	$ 21,770,069	$ 11,485,000	$ -	$ 33,255,069	$ (2,430,004)	$ 30,825,065
Customer Relationships	3,796,200	9,990,000	-	13,786,200	(1,707,397)	12,078,803
Management Agreement	-	6,000,000	-	6,000,000	(111,111)	5,888,889
Trademarks	19,003	-	(19,003)	-	-	-
Total Intangible Assets	**$ 25,585,272**	**$ 27,475,000**	**$ (19,003)**	**$ 53,041,269**	**$ (4,248,512)**	**$ 48,792,757**

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense of $1,142,301 and $563,756 for the three months ended September 30, 2018 and 2017, respectively.

Based solely on the amortizable intangible assets recorded at September 30, 2018, estimated amortization expense for the year ending June 30, 2019 and thereafter is as follows:

Fiscal Year Ending June 30,	Estimated Amortization Expense
2019 (Nine Months)	$ 3,880,692
2020	5,174,256
2021	5,174,256
2022	5,174,256
2023	5,174,256
2024 and Thereafter	23,072,740
	$ 47,650,456

Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

10. GOODWILL

As of September 30, 2018 and June 30, 2018, goodwill was $18,165,161 and $18,165,161, respectively. See *"Note 8 - Acquisitions and Mergers"* for further information.

11. OTHER CURRENT ASSETS

As of September 30, 2018 and June 30, 2018, other current assets was comprised of the following:

	September 30, 2018	June 30, 2018
Short-Term Security Deposits	$ 7,374,547	$ -
Investments	6,500,000	-
Excise Tax Receivable	2,820,369	2,635,064
Other Current Assets	166,237	155,708
Total Other Current Assets	**$ 16,861,153**	**$ 2,790,772**

As of September 30, 2018, investments included in other current assets was comprised of the following:

(a) ToroVerde Inc.

During the three months ended September 30, 2018, the Company purchased 9,000,000 common shares of ToroVerde Inc., an investment company focused on emerging international cannabis markets, for an aggregate purchase price of $5,000,000, or $0.56 per common share, amounting to approximately 15.0% of the outstanding common shares. As of September 30, 2018, the investment has been recorded at its fair value.

(b) The Hacienda Company, LLC

During the three months ended September 30, 2018, the Company purchased units of The Hacienda Company, LLC, a California limited liability company, which owns Lowell Herb Co., a California-based cannabis brand known for its pack of pre-rolls called Lowell Smokes, for an aggregate purchase price of $1,500,000, amounting to approximately 3.9% of the outstanding units. As of September 30, 2018, the investment has been recorded at its fair value.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of September 30, 2018 and June 30, 2018, accounts payable and accrued liabilities consisted of:

	September 30, 2018	June 30, 2018
Accounts Payable	$ 9,147,745	$ 3,613,355
Accrued Liabilities	6,894,991	6,926,601
Excise Taxes Payable	1,539,606	3,598,044
Accrued Payroll Liabilities	14,386,848	1,357,363
Income Taxes Payable	98,317	865,790
Deferred Rent	1,991,994	1,024,210
Sales Taxes Payable	566,547	616,142
Total Accounts Payable and Accrued Liabilities	**$ 34,626,048**	**$ 18,001,505**

13. DERIVATIVE LIABILITIES

On September 27, 2018, the Company completed a bought deal financing and issued 7,840,909 warrants. The exercise price of the warrants was denominated in a price other than the Company's functional currency. In accordance with IAS 32, a share warrant denominated in a price other than the functional currency of the Company fails to meet the definition of equity. Accordingly, such a contract or instrument would be accounted for as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end.

The Company used the closing price of the publicly-traded warrants to estimate fair value of the derivative liability at issuance and at each reporting date.

Upon initial recognition, the Company recorded a derivative liability of $7,458,304. For the three months ended September 30, 2018, the Company recorded a gain of $773,929 on revaluation of the derivative liability. As of September 30, 2018, the balance of the derivative liability was $6,684,375.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

14. NOTES PAYABLE

As of September 30, 2018 and June 30, 2018, notes payable consisted of the following:

	September 30, 2018	June 30, 2018
Promissory notes dated January 18, 2017, issued to accredited investors, which mature on July 18, 2018, bear interest at a rate of .96% per annum and requires minimum monthly payments of $128,894. Subsequent to June 30, 2018, the promissory notes were paid in full.	$ -	$ 558,837
Promissory notes dated January 18, 2017, issued to accredited investors, which mature on July 18, 2018, and bear interest at a rate of .96% per annum. Subsequent to June 30, 2018, the promissory notes were paid in full.	-	2,106,993
Promissory notes dated January 13, 2016 to January 18, 2017, issued to accredited investors, which mature on July 18, 2018, bear interest at a rate of .96% per annum and requires minimum monthly payments of $83,393. Subsequent to June 30, 2018, the promissory notes were paid in full.	-	574,504
Promissory note dated January 18, 2017, issued to accredited investor, which matures on July 18, 2018, bears interest at a rate of 2.30% per annum and requires minimum monthly payments of $70,641. Subsequent to June 30, 2018, the promissory note was paid in full.	-	210,363
Short-term note dated June 29, 2018, issued for business acquisition, which matures on November 29, 2018, and bears interest at a rate of 12% per annum.	6,325,000	6,325,000
Short-term note dated June 21, 2017, issued to accredited investors, which matures on December 21, 2018, and bears interest at a rate of 17% per annum. Use of funds restricted to construction costs.	6,375,000	6,375,000
Convertible notes dated January 18, 2017, issued to accredited investors, which mature on January 18, 2019, and bear interest at a rate of 10% per annum. Notes to be converted to members' units at maturity date.	3,270,550	3,270,550
Secured promissory notes dated April 23, 2018, issued to refinance property acquisition loans, which mature on April 30, 2019 and bears interest at a rate of 15% per annum.	26,500,000	26,500,000
Secured promissory notes dated May 13, 2018, issued to refinance various property acquisition loans, which mature on April 30, 2019, and bear interest at a rate of 15% per annum.	7,500,378	7,500,378
Secured promissory note dated July 25, 2018, issued for property acquisition, which matures on August 1, 2019, bears interest at a rate of 4% plus Prime Rate per annum and requires minimum monthly payments of $84,094 until the Maturity Date at which time all unpaid principal and accrued interest is due.	11,212,500	-
Convertible notes dated May 10, 2018, issued to accredited investors, which mature on May 10, 2020, and bear interest at a rate of 5% per annum. Subsequent to June 30, 2018, the notes were converted into MedMen Corp Redeemable Shares. See *"Note 13(c) - Notes Payable"* for further information.	-	3,593,334
Other	79,822	123,760
Total Notes Payable	61,263,250	57,138,719
Less Unamortized Debt Issuance Costs	(1,114,705)	(1,191,760)
Net Amount	60,148,545	55,946,959
Less Current Portion of Notes Payable	(60,148,545)	(52,353,625)
Notes Payable, Net of Current Portion	**$ -**	**$ 3,593,334**

15. SHAREHOLDERS' EQUITY

(a) Authorized

The authorized share capital of the Company is comprised of the following:

(i) Unlimited Number of Class B Subordinate Voting Shares

Holders of Subordinate Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Corporation, except a meeting of which only holders of another particular class or series of shares of the Corporation will have the right to vote. At each such meeting holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors of the Corporation, dividends in cash or property of the Company.

(ii) Unlimited Number of Class A Super Voting Shares

Holders of Super Voting Shares are not entitled to receive dividends. They are entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company has the right to vote. At each such meeting, holders of Super Voting Shares are entitled to 1,000 votes in respect of each Super Voting Share held. As long as any Super Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Super Voting Shares.

(iii) Unlimited Number of Preferred Shares

The Preferred Shares may be issued at any time or from time to time in one or more series. The board of directors of the Company may by resolution alter the articles of the Company to create any series of Preferred Shares and to fix before issuance, the designation, rights, privileges, restrictions and conditions to attach to the Preferred Shares of each series, including the rate, form, entitlement and payment of preferential dividends, the dates and place for payment thereof, the redemption price, terms, procedures and conditions of redemption, if any, voting rights and conversion rights, if any, and any sinking fund, purchase fund or other provisions attaching to the Preferred Shares of such series; provided, however, that no Preferred Shares of any series shall be issued until the Company has filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY *(Continued)*

(b) Issued and Outstanding

A reconciliation of the beginning and ending amounts of the issued and outstanding shares and units by company is as follows:

MedMen Enterprises Inc.

Balance - July 1, 2018	**45,215,976**	**1,630,590**	**8,306,271**	**2,415,485**
Issuance of Stock Options for Services Rendered	-	-	200,000	-
Issuance of Warrants for Bought Equity Financing	-	-	-	7,840,909
Redemption of MM CAN USA Class B Shares	25,625,164	-	-	-
Stock Options Granted to Directors	-	-	438,696	-
Stock Options Forfeited	-	-	(1,424,613)	-
Balance - September 30, 2018	**70,841,140**	**1,630,590**	**7,520,354**	**10,256,394**

MedMen Corp

	MedMen Corp Redeemable Shares	MedMen Corp Voting Shares	Warrants
Balance - July 1, 2018	**365,961,334**	**45,215,976**	**8,797,019**
Issuance of Shares for Services Rendered	194,104	-	-
Issuance of Shares for Licensing Rights	72,464	-	-
Issuance of Shares for Conversion of Debt	2,189,801	-	-
Issuance of Shares for Bought Equity Financing	-	15,681,818	-
Exercise of Warrants	1,969,889	-	(1,969,889)
Expiration of Warrants	(78,874)	-	(3,675,382)
Class A and Class B Units of LLC Converted	(9,943,346)	9,943,346	-
Balance - September 30, 2018	**360,365,372**	**70,841,140**	**3,151,748**

MM Enterprises USA, LLC

	LTIP Units	LLC Redeemable Units	LLC Non-Redeemable Units
Balance - July 1, 2018	**30,314,334**	**1,570,065**	**411,177,310**
Class A and Class B Units of LLC Converted:			
MedMen Corp Redeemable Shares	-	-	(5,595,962)
MedMen Corp Voting Shares	-	-	25,625,164
Acquisition of Treadwell Simpson Partnership	-	8,549,132	-
Balance - September 30, 2018	**30,314,334**	**10,119,197**	**431,206,512**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY *(Continued)*

(c) Warrants

Each whole warrant issued by the Company entitles the holder to purchase one Subordinate Voting Share of the Company. Each whole warrant issued by MM CAN entitles the holder to purchase one MedMen Corp Redeemable Share, which are redeemable for Subordinate Voting Shares on a one-for-one basis. A summary of the status of the warrants outstanding is as follows:

	Number of Warrants	Weighted-Average Exercise Price
Balance - July 1, 2018	**11,212,504**	$3.52
Issued	7,840,909	$5.28
Exercised	(1,969,889)	$3.10
Expired	(3,675,382)	$3.10
Balance - September 30, 2018	**13,408,142**	**$4.74**

The following table summarizes the warrants that remain outstanding as of September 30, 2018:

Security Issuable	Exercise Price	Number of Warrants	Expiration Date
MedMen Corp Redeemable Units	$3.10	-	August 28, 2018
MedMen Corp Redeemable Units	$4.14	483,097	April 30, 2023
MedMen Corp Redeemable Units	$3.15	793,651	May 10, 2023
MedMen Corp Redeemable Units	$4.14	1,875,000	May 16, 2019
Subordinate Voting Shares	$4.06	2,415,485	May 28, 2019
Subordinate Voting Shares	$5.28	7,840,909	September 27, 2021
		13,408,142	

During the three months ended September 30, 2018, the Company issued 7,840,909 warrants with a fair value of $1.24 per warrant. See *"Note 15 – Shareholders' Equity, (d) September Bought Deal Equity Financing"* for further information.

On September 27, 2018, the Warrants commenced trading on the Canadian Securities Exchange. The fair value of warrants issued was determined using the closing price on the date of issuance.

As of September 30, 2018, warrants outstanding have a weighted-average remaining contractual life of 28 months. There were no warrants issued during the three months ended September 30, 2017 or outstanding as of September 30, 2017.

15. SHAREHOLDERS' EQUITY *(Continued)*

(d) September Bought Deal Equity Financing

On September 27, 2018, MedMen Enterprises completed a bought deal financing (the "Offering") of 15,681,818 units (the "Units") at a price of C$5.50 per Unit (the "Issue Price"), which included the exercise in full by the Underwriters of their over-allotment option, for aggregate gross proceeds of approximately C$86,250,000.

Each Unit consists of one Class B Subordinate Voting Share in the capital of the Company and one-half of one share purchase warrant of the Company (each whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, one Class B Subordinate Voting Share in the capital of the Company at an exercise price of C$6.87 (US$5.28) for a period of 36 months following the closing of the Offering.

On September 27, 2018, the Warrants commenced trading under the ticker symbol "MMEN.WT".

(e) Formation and Contribution - MM Enterprises USA, LLC

On January 24, 2018, a Formation and Contribution Agreement (the "Agreement") was entered into by and among MM Enterprises Manager, LLC, a Delaware limited liability company, the sole manager of MM Enterprises USA, LLC; MMMG LLC, a Nevada limited liability company ("MMMG"); MedMen Opportunity Fund, LP, a Delaware limited partnership ("Fund I"); MedMen Opportunity Fund II, LP, a Delaware limited partnership ("Fund II"); The MedMen of Nevada 2 LLC, a Nevada limited liability company ("MMNV2"); DHSM Investors, LLC, an Ohio limited liability company ("DHS Owner"); and Bloomfield Partners Utica, LLC, a New York limited liability company ("Utica Owner"), whereby MMMG, Fund I, Fund II, MMNV2, DHS Owner and Utica Owner contributed their membership interests and assets to MM Enterprises in exchange for MM Enterprises membership interests.

Pursuant to the Formation and Contribution Agreement, Fund I, Fund II, MMNV2, DHS Owner and Utica Owner contributed 100% of their respective equitable interests in certain of their subsidiaries that own and operate one or more businesses licensed and/or authorized under applicable laws to cultivate, manufacture and/or sell cannabis and related products and which entities held dispensaries, cultivation and production facilities, real estate, leases, licenses, equitable interests in other cannabis operators, and other assets, all of which were contributed. MMMG contributed to the LLC all intellectual property, tangible personal property, contracts, agreements/arrangements, and leases and licenses held by MMMG in connection with its business operations at such time, including certain administrative and management services agreements. MMMG Class B units, Class C units, Class D units and Class P units, together with certain vested and unvested of units pursuant to MMMG's unit-based compensation, were not contributed into the Company as part of the Formation and Contribution Agreement.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY *(Continued)*

(f) Non-Controlling Interest

Non-controlling interest represents subsidiaries over which the Company has control but does not own. A reconciliation of the beginning and ending balances for non-controlling interest is as follows:

	Three Months Ended September 30, 2018	Year Ended June 30, 2018
Balance - Beginning of the Period	$ 87,607,241	$ -
Contribution on Date Control Assumed	-	4,690,505
Non-Controlling Interest on Reverse Take-Over Transaction	-	118,212,004
Non-Controlling Interest Non-Cash Contributions	32,497,799	10,322,355
Share of Loss	(54,018,293)	(45,617,623)
Balance - End of the Period	**$ 66,086,747**	**$ 87,607,241**

As of September 30, 2018 and June 30, 2018, non-controlling interest included the following amounts before intercompany eliminations:

	September 30, 2018	June 30, 2018
Current Assets	$ 93,030,239	$ 97,385,785
Non-Current Assets	220,813,045	152,531,612
Total Assets	**$ 313,843,284**	**$ 249,917,397**
Current Liabilities	$ 247,553,024	$ 158,847,034
Non-Current Liabilities	203,513	3,463,122
Total Liabilities	**$ 247,756,537**	**$ 162,310,156**
Revenues	**$ 19,856,033**	**$ 22,209,515**
Net Loss	**$ (54,018,293)**	**$ (45,617,623)**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

16. SHARE-BASED COMPENSATION

(a) Stock Options

A summary of the status of the options outstanding follows:

	Number of Stock Options	Weighted-Average Exercise Price
Balance - July 1, 2018	8,306,271	$4.14
Granted	638,696	$3.98
Forfeited	(1,424,613)	$4.14
Balance - September 30, 2018	**7,520,354**	**$4.12**

The following table summarizes the stock options that remain outstanding as of September 30, 2018:

Security Issuable	Expiration Date	Number of Stock Options	Exercise Price	Stock Options Exercisable
Subordinate Voting Shares	May 28, 2028	6,881,658	$4.14	-
Subordinate Voting Shares	July 9, 2023	200,000	$3.83	200,000
Subordinate Voting Shares	August 29, 2028	61,950	$4.06	-
Subordinate Voting Shares	August 29, 2028	376,746	$4.06	-
		7,520,354		**200,000**

During the three months ended September 30, 2018, the Company recorded $4,472,779 of share-based compensation for stock options during the period.

The fair value of stock options granted was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	2.85%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	91.61%
Expected Life of Stock Options	8.43 Years
Forfeiture Rate	0%

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that stock options issued are expected to be outstanding. The risk-free rate was based on U.S. Treasury bills with a remaining term equal to the expected life of the options.

During the three months ended September 30, 2018, the weighted-average fair value of stock options granted was $3.29 per option. As of September 30, 2018, stock options outstanding have a weighted-average remaining contractual life of 9.6 years. There were no stock options granted during the three months ended September 30, 2017 or outstanding as of September 30, 2017.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

16. SHARE-BASED COMPENSATION *(Continued)*

(b) FV LTIP Units and LLC Redeemable Units

(i) FV LTIP Units

On May 17, 2018, MM Enterprises USA granted 30,314,333 FV LTIP Units to officers of MM Enterprises USA. The vesting of 19,323,878 of the FV LTIP Units was amended to be contingent upon achievement of certain price targets in respect of the Subordinate Voting Shares, whereby one third of such aggregate FV LTIP Units will vest when the price of the Subordinate Voting Shares reaches C$10 in the open market, another third will vest when such share price reaches C$15 in the open market and the final third will vest when such share price reaches C$20 in the open market. Such share price will be determined as a 5-day volume weighted-average trading price on any exchange on which the Subordinate Voting Shares are traded. Prior to such amendment, 25% of such FV LTIP Units were to have vested immediately on issuance (as of May 17, 2018) and the remaining 75% were to vest ratably, on a monthly basis, beginning on May 17, 2018 and concluding with all such FV LTIP Units being fully vested as of March 15, 2020; provided that any unvested FV LTIP Units were to immediately vest if the employment were to be terminated without cause.

As a result of the amendment, these units were valued using a Monte Carlo simulation model taking into account the fair value of the Subordinate Voting Shares on the date of grant and into the future encompassing a wide range of possible future market conditions.

6,038,712 of the FV LTIP Units will vest as follows: (a) 25% will vest immediately on issuance; and (b) the remaining 75% will vest ratably, on a monthly basis, beginning on May 17, 2018 and concluding with all FV LTIP Units being fully vested on March 15, 2020. 4,227,098 of the FV LTIP Units will vest as follows: (a) 14.3% vested immediately on issuance; and (b) the remaining 85.7% will vest ratably, on a monthly basis, beginning on May 17, 2018 and concluding with all FV LTIP Units being fully vested on March 15, 2022. 724,645 of the FV LTIP Units will vest ratably, on a monthly basis, beginning on May 17, 2018 and concluding with all FV LTIP Units being fully vested on March 15, 2021.

For the three months ended September 30, 2018, share-based compensation expense of $6,401,121 was recorded related to the FV LTIP Units.

(ii) LLC Redeemable Units

On May 17, 2018, MM Enterprises USA granted 1,570,065 LLC Redeemable Units to officers of MM Enterprises USA. These units immediately vested.

The following table summarizes the LTIP Units and LLC Redeemable Units that remain outstanding as of September 30, 2018:

	LTIP Units	LLC Redeemable Units
Balance - July 1, 2018	30,314,333	1,570,064
Conversion of Class A Units and Class B Units	-	-
Balance - September 30, 2018	**30,314,333**	**1,570,064**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

16. SHARE-BASED COMPENSATION *(Continued)*

(c) Restricted Stock Grants

On August 29, 2018, the Company granted 175,812 restricted Subordinate Voting Shares to certain directors. The restricted shares will vest in four equal quarterly installments on each three-month anniversary of the grant date.

For the three months ended September 30, 2018, share-based compensation expense of $309,636 was recorded related to the restricted stock grants.

17. EARNINGS (LOSS) PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings (loss) per share for the three months ended September 30, 2018:

Net Loss	$	(66,496,223)
Weighted-Average Number of Shares Outstanding		46,948,133
Earnings (Loss) Per Share - Basic and Diluted	**$**	**(1.42)**
Attributable to MedMen Enterprises Inc. Shareholders	$	(0.27)
Attributable to Non-Controlling Interest	$	(1.15)

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the issuance of shares on the exercise of convertible debentures, FV LTIP share units, warrants and share options is anti-dilutive.

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended September 30, 2018 and 2017, general and administrative expenses consisted of the following:

	Three Months Ended September 30,	
	2018	**2017**
Salaries and Benefits	$ 30,132,071	$ 2,381,970
Share-Based Compensation	11,183,536	251,422
Rent	4,425,072	935,287
Security	4,192,055	199,957
Professional Fees	3,938,836	144,922
Licenses, Fees and Taxes	3,288,740	105,281
Travel and Entertainment	2,013,783	188,789
Deal Costs	1,423,350	-
Insurance	1,078,682	75,855
Payment Processing	569,382	46,252
Other General and Administrative	3,493,943	806,958
Total General and Administrative Expenses	**$ 65,739,450**	**$ 5,136,693**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

19. COMMITMENTS AND CONTINGENCIES

(a) Office and Operating Leases

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2027 and contain certain renewal provisions. The Company's net rent expense for the three months ended September 30, 2018 and 2017 was $4,512,572 and $1,079,412, respectively, of which $87,500 and $144,125, respectively, is included in cost of goods sold.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Fiscal Year Ending June 30	Scheduled Payments
2019	$ 16,270,739
2020	24,269,490
2021	24,856,271
2022	25,308,750
2023	25,389,599
2024 and Thereafter	370,737,145
Total Future Minimum Lease Payments	**$ 486,831,994**

(b) Contingencies

The Company's operations are subject to a variety of local and state 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 and state regulation as of September 30, 2018, medical marijuana 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.

(c) 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. As of September 30, 2018, 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.

A legal claim has been filed against the Company relating to a financial transaction and seeking damages of approximately $3.5 million. The claim is at a very early stage and the Company believes that it has no merit. As a result, no amount has been set up for potential damages in these financial statements.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

20. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Short-Term Employee Benefits, including Salaries, Fees and One-Time Bonuses Related to Reverse Take-Over	$ 13,787,500	$ 340,000
Directors and Consultants	1,087,867	-
Share-Based Compensation	6,401,121	-
	$ 21,276,488	**$ 340,000**

(b) Related Party Balances

All related party balances due from or due to the Company as of September 30, 2018 and June 30, 2018 did not have any formal contractual agreements requiring payment terms or interest.

As of September 30, 2018 and June 30, 2018, amounts due from related parties were as follows:

Name and Relationship to Company	Transaction	September 30, 2018	June 30, 2018
MedMen Opportunity Fund GP II, LLC ("Fund GP II"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP II is the General Partner of Fund II, which holds membership interests in the Company.	Management Fees *(1)*	$ 1,820,904	$ 2,100,000
MedMen Opportunity Fund GP LLC ("Fund GP"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP is the General Partner of Fund I, which holds membership interests in the Company.	Management Fees *(1)*	1,228,259	1,228,259
MedMen Canada Inc., a 50/50 joint venture partnership between the Company and Cronos Group Inc.	Advance *(1)*	1,153,200	-
Other		184,290	180,776
Total Amounts Due from Related Party		**$ 4,386,653**	**$ 3,509,035**

(1) *The amounts are unsecured, non-interest bearing and have no specific repayment terms.*

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

20. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related Party Balances *(Continued)*

As of September 30, 2018 and June 30, 2018, amounts due to related parties were as follows:

Name and Relationship to Company	Transaction	September 30, 2018	June 30, 2018
MedMen Opportunity Fund GP II, LLC ("Fund GP II"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP II is the General Partner of Fund II which holds membership interests in the Company.	Working Capital, Construction and Tenant Improvements, Lease Deposits and Cash Used for Acquisitions *(1)*	$ (1,093,896)	$ (2,427,693)
MedMen Opportunity Fund GP LLC ("Fund GP"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP is the General Partner of Fund I, which holds membership interests in the Company.	Working Capital, Management Fees and Cash Used for Acquisitions *(1)*	(2,862,647)	(2,862,647)
Other		(1,841,764)	(4,568,105)
Total Amounts Due to Related Party		**$ (5,798,307)**	**$ (9,858,445)**

(1) *The amounts are unsecured, non-interest bearing and have no specific repayment terms.*

(c) Leases - Related Parties

In January 2017, Bloomfield Industries, Inc. entered into a 10-year lease agreement with UN East LLC, a related party, to occupy a temporary facility and for five acres of land for future development. The lease provides, among other things, for the issuance of a 10% initial members' equity interest in Project Compassion NY, LLC valued at $3,500,000. As of September 30, 2018 and June 30, 2018, prepaid rent related to this lease agreement totaled $2,762,500 and $2,975,000, respectively.

In June 2017, Project Mustang Development, LLC entered into a 99-year ground lease agreement with The MedMen of Nevada Owner, LLC, a related party. The lease, which commenced in July 2017, provides for an initial annual rent payment of $1,500,000 that increases by 3% per annum. As of September 30, 2018 and June 30, 2018, prepaid rent related to this lease agreement totaled $1,314,762 and $1,576,012, respectively.

In January 2018, Manlin DHS Development LLC entered into a 51-year ground lease agreement with Manlin 2, LLC, a related party. The lease, which commenced in May 2018 and terminates in April 2069, provides for an initial annual rent payment of $1,825,000 that increases by 3% per annum.

For the three months ended September 30, 2018 and 2017, rent expense under all lease agreements with related parties totaled $1,412,370 and $691,837, respectively.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

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.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, due to/from related parties, accounts payable and accrued liabilities, other current liabilities and notes payable approximate their fair values due to their short periods to maturity. The fair value of the investments and derivative liability has been determined based on Level 3 and Level 1 of the fair value hierarchy respectively.

There have been no transfers between fair value levels during the period.

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 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 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with U.S. and Canadian financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

(b) 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.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity Risk *(Continued)*

In addition to the commitments outlined in *"Note 19 - Commitments and Contingencies"*, the Company has the following contractual obligations as of September 30, 2018:

	< 1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts Payable and Accrued Liabilities	$ 34,626,048	$ -	$ -	$ 34,626,048
Other Current Liabilities	$ 21,497,926	$ -	$ -	$ 21,497,926

In addition to the commitments outlined in *"Note 19 - Commitments and Contingencies"*, the Company has the following contractual obligations as of June 30, 2018:

	< 1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts Payable and Accrued Liabilities	$ 18,001,505	$ -	$ -	$ 18,001,505
Other Current Liabilities	$ 1,186,148	$ -	$ -	$ 1,186,148

(c) Market Risk

(i) Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of September 30, 2018 and June 30, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(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. Cash and cash equivalents bear interest at market 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.

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities.

As of September 30, 2018, the Company is not subject to externally imposed capital requirements.

23. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 29, 2018, which is the date these unaudited condensed interim consolidated financial statements were issued.

(a) Business Acquisitions

(i) The Source Santa Ana

On November 15, 2018, the Company entered into a definitive agreement to acquire the retail operations and license of The Source Santa Ana through an all-stock transaction with Captor Capital Corp., a Canadian publicly-traded investment company. The store is currently MedMen branded and managed (see *"Note 8 - Acquisitions and Mergers; (e) Control Through Management Service Agreements (Common Control Transactions); (i) The Source Santa Ana"*).

Upon closing, the Company will issue 3,506,341 Class B Subordinate Voting Shares to Captor Capital Corp. The transaction is valued at approximately US$16,865,500. The final purchase price is subject to adjustment for accrued liabilities at the time of closing.

The transaction is subject to regulatory approvals by various local and state authorities and other customary closing conditions. The Company expects the transaction to close within 60 days.

The Company's Chief Executive Officer Adam Bierman and President Andrew Modlin together own a combined 2.8 percent of the common shares of Captor Capital Corp. As such, an independent committee of the Board of Directors of the Company reviewed and approved the transaction.

23. SUBSEQUENT EVENTS *(Continued)*

(a) Business Acquisitions *(Continued)*

(ii) Kannaboost Technology Inc. and CSI Solutions LLC

On November 1, 2018, the Company entered into a definitive agreement to acquire control of Kannaboost Technology Inc. and CSI Solutions LLC (collectively referred to as "Level Up") in a cash and stock transaction valued at $33.0 million. Level Up holds licenses for two vertically-integrated operations in Arizona, which include retail locations in Scottsdale and Tempe, as well as 25,000 square feet of cultivation and production capacity in Tempe and Phoenix. As part of the transaction, the Company will also receive a 40 percent stake in top-selling brand K.I.N.D. Concentrates, which is currently distributed in over 90 percent of the dispensaries in Arizona. As consideration for the transaction, the Company will pay $33.0 million, of which approximately 51.5 percent will be satisfied in cash and 48.5 percent in Class B Subordinate Voting Shares. The transaction is subject to regulatory approvals by various local and state authorities in each of the markets where Level Up's assets and licenses are held and other customary closing conditions. The Company expects the transaction to close within 90 days.

(iii) Viktorya's Medical Supplies LLC

On October 22, 2018, the Company entered into a definitive agreement (the "Agreement") to acquire Viktorya's Medical Supplies LLC ("VMS"), doing business as Buddy's Cannabis. VMS owns a microbusiness license to retail, distribute, cultivate and manufacture cannabis onsite in San Jose, California. The all-cash transaction is expected to close within 90 days of signing and is subject to customary closing conditions and regulatory approvals.

(iv) PharmaCann LLC

On October 11, 2018, the Company entered into a binding letter of intent (the "Agreement") to acquire PharmaCann in an all-stock transaction valued. Based on the closing price of the Company's Class B Subordinate Voting Shares as of October 9, 2018, the total transaction is valued at $682 million and will be satisfied by the issuance of Class B Subordinate Voting Shares of the Company. Under the terms of the Agreement, PharmaCann holders will own approximately 25 percent of the fully-diluted shares of the Company upon closing and will be subject to lock up agreements for a period of six to twelve months. The specific transaction structure is subject to ongoing tax, financial, and regulatory advice. The transaction is subject to regulatory approvals by various local and state authorities in each of the markets where PharmaCann's assets and licenses are held, all debt of PharmaCann being repaid and other customary closing conditions.

(v) B12, LLC

On October 10, 2018, the Company announced the execution of a definitive agreement (the "Agreement") to acquire a licensed dispensary from B12, LLC in Emeryville, California. The store is expected to open in 2019. As consideration for the acquisition, the Company will pay a combination of cash at closing and shares of the Company. The transaction is expected to close within 90 days of signing and is subject to customary closing conditions

23. SUBSEQUENT EVENTS *(Continued)*

(a) Business Acquisitions *(Continued)*

(vi) Seven Point

On October 3, 2018, the Company announced the execution of a definitive agreement to acquire Seven Point, a licensed medical cannabis dispensary located in Oak Park, Illinois. As consideration for the acquisition, the Company will pay a combination of cash at closing, deferred cash and Subordinate Voting Shares of the Company. The transaction is expected to close within 90 days of signing and is subject to customary closing conditions, including regulatory approval.

(vii) Monarch

On October 2, 2018, the Company signed a definitive agreement with WhiteStar Solutions LLC ("WhiteStar") to acquire control of Monarch, a Scottsdale, Arizona-based licensed medical cannabis license holder with dispensary, cultivation and processing operations through the acquisition of Omaha Management Services, LLC. In addition, the Company will acquire from WhiteStar their exclusive co-manufacturing and licensing agreements with Kiva, Mirth Provisions and HUXTON for the state of Arizona. As consideration for the acquisition, the Company will pay approximately 80 percent in stock and 20 percent in cash. The stock consideration will be satisfied by way of issuance of Subordinate Voting Shares of the Company. The transaction is expected to close within 90 days of signing and is subject to customary closing conditions.

(b) November Bought Deal Equity Financing

On November 9, 2018, MedMen Enterprises entered into a letter of engagement with Canaccord Genuity Corp. ("Canaccord"), under which Canaccord has agreed to purchase, as lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters (collectively with Canaccord, the "Underwriters") 17,648,000 units of the Company (the "Units"), on a "bought deal" basis pursuant to the filing of a short form prospectus, subject to all required regulatory approvals, at a price per Unit of CC$6.80 (the "Issue Price") for gross proceeds of C$120,006,400 (the "Offering")

Each Unit would be comprised of one Class B Subordinate Voting Share of the Company (each, a "Class B Share") and one-half of one Class B Share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant would entitle the holder thereof to purchase one Class B Share at an exercise price of C$10.00, subject to adjustment in certain events, for a period of 36 months following the closing of the Offering.

On November 16, 2018, the Company announced that it had agreed to amend the Offering to issue to the Underwriters 13,640,000 units at a price per unit of C$5.50 (the "Amended Issue Price") for gross proceeds of C$75,020,000 (the "Amended Offering"). Each unit will now be comprised of one Class B Share and one Class B Share purchase warrant (the "Amended Units"). The exercise price for each Warrant was amended to C$6.87 per Warrant and the Warrants are now exercisable for a term expiring on September 27, 2021.

23. SUBSEQUENT EVENTS *(Continued)*

(b) November Bought Deal Equity Financing *(Continued)*

The over-allotment option will now allow for purchases up to an additional 2,046,000 Amended Units at the Amended Issue Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the Amended Offering. The over-allotment option may be exercised to acquire Amended Units, Class B Shares and/or Warrants of the Company. If this option is exercised in full, an additional C$11,253,000 will be raised pursuant to the Amended Offering and the aggregate gross proceeds of the Amended Offering will be approximately C$86,273,000

The closing date of the Amended Offering is scheduled to be during the first week of December, 2018 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Canadian Securities Exchange and the applicable securities regulatory authorities.

(c) Minority Investment in Old Pal

On October 23, 2018, the Company completed a minority investment in Old Pal, a California-based brand that provides high-quality cannabis flower for its customers.

(d) Sale of Real Estate Properties

On October 18, 2018, the Company entered into an agreement to sell three properties to the newly formed Treehouse Real Estate Investment Trust (“Treehouse”). This agreement was revised on October 22, 2018. Under the revised agreement, the Company expects to sell one property to Treehouse and two properties to Stable Road Capital. The sale to Stable Road Capital would take place as soon as practicable. The sale to Treehouse would take place following capitalization of Treehouse through a private placement. The initial transactions include three properties and are expected to generate approximately $12.5 million of proceeds to the Company after repayment of debt. Additional real estate assets in the Company’s portfolio are expected to be sold to Treehouse over the next 12 months. The properties to be offered to Treehouse and Stable Road Capital will be leased backed to the Company or its subsidiaries at market rates under long-term leases. The two properties comprising the transaction to Stable Road Capital are MedMen Abbot Kinney (1308-1312 Abbot Kinney Boulevard, Venice, California) and MedMen Downtown Las Vegas (823 South 3rd Street, Las Vegas, Nevada). The one property comprising the expected transaction to Treehouse is MedMen Beverly Hills (106-110 South Robertson Boulevard, Los Angeles, California).

23. SUBSEQUENT EVENTS *(Continued)*

(e) Senior Secured Term Loan Facility

On October 1, 2018, an affiliate of the Company closed a $73,275,000 senior secured term loan facility (the "Facility") with funds managed by Hankey Capital and an affiliate of Stable Road Capital (the "Lenders"). On October 3, 2018, the Company closed an additional tranche of the Facility, which increased the principal amount of the loan to C$99,952,190. The principal amount under the Facility will accrue interest at a rate of 7.5 percent per annum, paid monthly, with a maturity date of 24 months following the date of closing on October 1, 2018. The Company may repay the balance of the Facility at any time and from time to time, in whole or in part, with a prepayment penalty of one percent of the outstanding principal amount repaid if repaid before December 31, 2019. Additionally, MM CAN has issued to the Lenders 8,105,642 warrants, each being exercisable for one Class B Common Share of such company at a purchase price per share of $4.97 for a period of 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company. The Facility will be used for acquisitions, capital expenditures and general corporate purposes. In addition to providing a portion of the Facility, Stable Road is providing advisory services to the Company.

In connection with the increased principal under the Facility, MM CAN issued to the Lenders an additional 511,628 warrants, each being exercisable for one Class B Common Share of such affiliate at a purchase price per share of $4.73 for a period of 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company.

In addition to providing a portion of the Facility, Stable Road Capital is providing advisory services to the Company. Advisory services include introducing the Company to brands and various service providers, advice on the Facility and providing advice with respect to the Company's planned structured sale of real estate assets. For its advisory services, MM CAN issued to Stable Road Capital 8,105,642 warrants at a purchase price per share of $4.97 and 511,628 warrants at a purchase price per share of $4.73, each being exercisable for one Class B Common Share of such company for a period of 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company.