National Access Cannabis Corp.
Interim MD&A - Quarterly Highlights
For the three and six-month period ended February 28, 2019

The following discussion of National Access Cannabis Corp.'s (the "**Company**" or "**NAC**") financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three and six-months ended February 28, 2019 and the audited consolidated financial statements for the year ended August 31, 2018 and the related annual management discussion and analysis. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Unless otherwise stated, all dollar amounts referred to in this interim management discussion and analysis - quarterly highlights ("**MD&A**") are in Canadian dollars. Throughout this MD&A, references are made to non-IFRS financial measures, including Adjusted EBITDA. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in NAC's core business that may not otherwise be apparent when relying solely on IFRS measures. These measures are used to bridge differences between external reporting under IFRS and external reporting that is customary in the retail industry, and therefore should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with IFRS. Management uses non-IFRS measures in order to facilitate operating and financial performance comparisons from period to period, and believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. A description of these measures and their limitations are discussed under the heading "Non-IFRS Financial Measures", along with a reconciliation to the nearest IFRS financial measure.

This MD&A, as well as, financial statements and other information, including news releases and other disclosure items of the Company are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's profile. The board of directors of the Company approved the contents of this MD&A on April 15, 2019.

Cautionary Note Regarding Forward-Looking Statements

Except for the historical statements contained herein, this MD&A presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, future developments, including the acquisition of additional locations throughout Canada; future financial performance, including the sufficiency of cash on hand, the ability of the Company to generate positive cash flow and the ability of the Company to meet its obligations as they become due, future sources of revenue and future increases in Company revenue, ongoing business strategies, goals, objectives or prospects, including the exploration of other business opportunities in the cannabis industry and the Company's plan to explore partnerships that improve its brand profitability and to become a model for legalized safe distribution of cannabis and cannabis products throughout Canada, anticipated regulatory changes, expected operations, and possible future action on the Company's part. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes"; or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties, legislative changes occurring at the Federal, Provincial and Municipal levels, the results of continued development, marketing and sales and such other factors as set forth in "Known Trends, Risks or Demands" in the Company's annual management discussion and analysis for the year ended August 31, 2018 (available on SEDAR at www.sedar.com), as well as, those factors disclosed in the Company's publicly filed documents. Although management of the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A and the Company does not undertake to update or revise any forward-looking statements to reflect new information or future events or circumstances, unless specifically required by applicable securities legislation.

Overview of Business and Strategy

Overview of the Company

The Company was incorporated under the *Business Corporations Act* (Alberta) as Brassneck Capital Corp. ("**Brassneck**") on June 15, 2015 and its common shares began trading on the TSX Venture Exchange ("**TSXV**") on March 15, 2016. The head office of the Company is located at Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4. Prior to August 30, 2017, the Company was a Capital Pool Company as defined in the TSXV Policy 2.4. Effective August 30, 2017, Brassneck completed its "Qualifying Transaction" with National Access Cannabis Corp. (pre-Qualifying Transaction, referred to herein as "**Old NAC**"). The Qualifying Transaction was a reverse takeover of Brassneck by Old NAC. Following completion of the Qualifying Transaction, control of the Company, as resulting issuer, passed to the former securityholders of Old NAC, and the Company (formerly Brassneck) ceased to be a Capital Pool Company. Effective August 30, 2017, Brassneck changed its name to "National Access Cannabis Corp." On September 8, 2017, the common shares of the Company (the "**Common Shares**"), as the resulting issuer, resumed trading on the TSXV under the new trading symbol "NAC". Effective May 17, 2018, the Company's trading symbol on the TSXV changed from "NAC" to "META".

The consolidated financial statements of the combined entities (i.e. Brassneck and Old NAC) are issued under the Company (presently National Access Cannabis Corp. and formerly Brassneck), as legal parent, but are considered a continuation of the financial statements of the legal subsidiary, Old NAC. Since Old NAC is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Description of Business

The Company and its subsidiaries are in the business of operating retail locations to sell and distribute cannabis and cannabis related products, effective October 2018 with the Cannabis Act coming into force. The Company also operates in the medical cannabis market by providing cannabinoid education and introducing patients to medical cannabis treatments via its national network of physicians and health professionals.

The Company has no current intention of becoming a Licensed Producer and has no current intention to apply for a license to produce cannabis under the *Cannabis Act* (Canada). In the event the Company becomes a Licensed Producer, conflicts of interest may arise between the Company's current medical clinic business and its future Licensed Producer business. In the context of vertically-integrated companies in the cannabis sector where there may be material relationships or transactions that involve conflicts of interest, whether actual or perceived, the Company will disclose any commissions, incentives, or other fees earned by the Company, its clinics, physicians, or other consultants. The Company will also disclose risks associated with conflicts of interest, including, but not limited to situations where the Company, its clinics, physicians, or other consultants are paid a commission or education grant from a Licensed Producer or dispensary that is related to the Company.

The Company does not engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018. To the extent that the Company pursues international expansion, it will only conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and applicable Canadian regulatory and stock exchange obligations.

Retail Cannabis Stores

NAC plans to continue pursuing adult-use retail licenses in provinces that allow for private retailers. The Company is currently operating and constructing additional retail locations to sell and distribute cannabis and cannabis related products under its recreational cannabis brands META and NewLeaf in select provinces. The Company expects its network of recreational cannabis stores to initially grow across the Western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba, and expanding to include Ontario once licensing opens up to more private retailers.

The Company will continue to explore acquisition and partnership opportunities that enhance its brand and profitability and aims to expand the number of cannabis retail locations it operates. The Company's expansion plans are subject to additional financing, appropriate lease arrangements for each potential cannabis retail location and required approvals from the applicable regulatory authorities in each of the Provinces in which the Company plans to open cannabis retail locations. The Company does not currently have sufficient cash resources to fund the capital expenditure buildout costs and start-up inventory costs for all planned expansion retail locations, so in order to meet its expansion plans, additional financing will be required. As well, certain regulatory authorities in the Provinces in which the Company plans to open cannabis retail locations have limited the number of retail cannabis licenses available for issuance which may prohibit the Company from achieving its expansion goals. If the Company is not able to obtain adequate financing, enter into appropriate lease arrangements or obtain applicable regulatory approvals to meet its expansion goals, it will scale back its expansion plans accordingly. There can be no assurance that additional debt or equity financing will be available to meet the Company's requirements or, if available, on favorable terms, and there can be no assurance that the Company will be able to enter into appropriate lease arrangements or receive the applicable regulatory approvals to meet its expansion goals at this time. For more information about such risks, see "*Known Trends, Risks or Demands*" in the Company's annual management discussion and analysis for the year ended August 31, 2018 (available on SEDAR at www.sedar.com).

The following table outlines, in summary form, the regulatory status of adult use retail cannabis in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and the business activities of the Company in the respective provinces.

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
British Columbia	Retail sale of adult use cannabis in the Province of British Columbia is regulated by the *Cannabis Control and Licensing Act* and the *Cannabis Distribution Act.* The *Cannabis Licensing Regulation* of the *Cannabis Control and Licensing Act* regulates licensing of adult use cannabis storefronts. The Liquor and Cannabis Regulation Branch ("**LCRB**") issues retail licenses both to private and public licensees. Federal licensees may sell cannabis products to the LCRB. The LCRB may sell cannabis products to licensees. The LCRB operates the sole regulated online source of cannabis in British Columbia. The *Cannabis Licensing Regulation* limits the total number of licenses per retailer to eight. The *Cannabis Control and Licensing Act* limits relationships between federal producers and licensed retailers.	The Company has applied for seven retail cannabis licenses and intends to apply for a total of eight retail cannabis licenses.	Municipal government recommendation to the LCRB Retail cannabis license from the LCRB
Alberta	Retail sale of adult use cannabis in the Province of Alberta is regulated by the *Gaming, Liquor and Cannabis Act* and the *Gaming, Liquor and Cannabis Regulation*. Alberta Gaming, Liquor and Cannabis ("**AGLC**") issues retail licenses to private entities. Cannabis suppliers may sell cannabis products to the AGLC. The AGLC may sell cannabis products to a holder of a cannabis license. The AGLC operates the sole regulated online source of cannabis in Alberta. The *Gaming, Liquor and Cannabis Regulation* limits any one person or group of persons (groups as characterized by the AGLC), to a 15% market share in the Province of Alberta. For example, if 250 licenses are granted, one entity could hold a maximum of 37 licenses. While 250	The Company has submitted to the AGLC 33 retail cannabis store license applications with four additional applications to follow. Fourteen of the Company's retail cannabis store license applications have been licensed by AGLC approval and are operating under the NewLeaf brand.	Municipal development permit Municipal business license AGLC retail cannabis license

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	licenses is not a ceiling for Alberta, with this estimated number of licenses, the AGLC has capped the number of licenses for one person or group of persons at 37. The *Gaming, Liquor and Cannabis Act*, the *Gaming, Liquor and Cannabis Regulation* and the AGLC Cannabis Retail Store Handbook each limit relationships between cannabis suppliers and a holder of a cannabis license.		
Saskatchewan	Retail sale of adult use cannabis in the Province of Saskatchewan is regulated by *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations*. A lottery process was applied to select 51 entities to apply for retail cannabis permits. The Saskatchewan Liquor and Gaming Authority issues permits to private entities for operating retail cannabis stores and selling cannabis online, for supplying cannabis (which also requires a processing license under the *Cannabis Act*) and for commercial distribution of cannabis. Supply permitees may sell cannabis products directly to retail permitees or distribution permitees.	On January 16, 2019 the Company entered into a share purchase agreement with the shareholders of New Leaf Emporium Inc. ("**New Leaf Emporium**"), whereby the Company will acquire all of the issued and outstanding shares of New Leaf Emporium subject to certain conditions being met. New Leaf Emporium currently operates a retail cannabis location in Moose Jaw, Saskatchewan.	Municipal business license SGLA retail cannabis permit
Manitoba	Retail sale of adult use cannabis in the Province of Manitoba is regulated by *The Liquor, Gaming and Cannabis Control Act* and the *Cannabis Regulation*. The *Cannabis Regulation* regulates licensing of adult use cannabis storefronts. The Liquor, Gaming and Cannabis Authority of Manitoba (the "**LGA**") regulates, licenses, inspects and audits	The Company is currently operating five licensed retail cannabis stores and an additional four licensed retail cannabis stores through partnerships with	Retailer Agreement required per location signed between Proponent and Manitoba Growth,

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	Manitoba's privately-held adult use cannabis storefronts and online sales platforms. The Manitoba Liquor and Lotteries Corporation ("**MBLL**") administers central order processing and manages distribution to licensed private sector retailers. The province limits any one individual licensee to a maximum of 10 retail cannabis locations. Additional retail cannabis locations may be operated through partnerships with Manitoba First Nations groups.	Manitoba First Nations. The Company plans to open and operate five additional retail cannabis stores in 2019.	Enterprise and Trade. Occupancy permit required
Ontario	Retail sale of adult use cannabis in the Province of Ontario is regulated by the *Cannabis License Act, 2018* and the *General Regulation*. Alcohol and Gaming Commission of Ontario ("**AGCO**") issues retail operator licenses. Licensed Producers may sell cannabis products to the AGCO. The AGCO may sell cannabis products to a holder of a retail operator license. The AGCO issues retail licenses to private licensees. The AGCO operates the sole regulated online source of cannabis in Ontario - Ontario Cannabis Store (the "**OCS**"). The OCS will also be the exclusive wholesaler of cannabis to holders of retail operator licenses. In view of the cannabis shortage, the AGCO initially restricted licensing to 25 applicants who were selected in a lottery process, with stores beginning operation on April 1, 2019.	The Company participated in the initial lottery but was not one of the 25 successful applicants. The Company plans to open and operate as many stores as the AGCO will permit the Company to operate once licensing for new retailers commences.	AGCO retail operator license Municipal approvals and permits All municipalities within the province will be provided with a one-time option to opt out to restrict licensing to retail stores in their municipality. The opt-out date was January 22, 2019.

Alberta

Alberta regulations do not include a maximum number of cannabis retail licenses, however, the province limits any one individual licensee to a 15% market share in the Province of Alberta (e.g. if 250 licenses are granted, one entity could own a maximum of 37 licenses). Additionally, the Province of Alberta will be the only operator of an e-commerce platform for online purchases. NAC expects the Alberta cannabis retail market to be extremely competitive, forcing retail operators to compete on pricing, branding and innovative concepts to attract consumers. The Alberta provincial government has provided guidance that the maximum number of licenses available to a licensee will be reviewed in July of 2019.

In Alberta as at the date hereof, the Company has submitted to the AGLC 33 retail cannabis store license applications with four additional applications to follow. As at the date hereof, 14 of the retail cannabis store license applications submitted to the AGLC, have received AGLC approval. The Company has also received approval for 35 municipal development permits to date throughout the Province. Several other development permit applications are still under review by various municipalities. The Company intends to own and operate the maximum number of retail cannabis stores that an entity is legally allowed by the Province of Alberta. As of the date hereof, the Company has opened and is operating 14 retail cannabis stores in the Province of Alberta.

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licenses until further notice. Accordingly, there is no assurance that all of the Company's retail cannabis store license applications which have not already received approval by the AGLC, will be approved.

Saskatchewan

On March 14, 2018 the Government of Saskatchewan released its framework for cannabis legalization, provided details regarding its plan for the distribution, sale and use of cannabis in Saskatchewan and began the lottery-based selection process for 51 retail cannabis permits. Private retailers awarded operating permits in the province have the ability to sell cannabis products on-line throughout Saskatchewan. The Saskatchewan provincial government has indicated that they intend to operate with this market structure for three years before review. On January 16, 2019 the Company entered into a share purchase agreement with the shareholders of New Leaf Emporium, whereby the Company will acquire all of the issued and outstanding shares of New Leaf Emporium, subject to certain conditions being met. New Leaf Emporium currently operates a retail cannabis location in Moose Jaw, Saskatchewan.

Manitoba

Manitoba has granted four master licenses to operate a varying number of cannabis retail locations in the Province of Manitoba. More recently, Manitoba has opened a Phase II request for proposal process, to provide for more market entrants into communities which are underserved.

In Manitoba, the Company was chosen as one of four proponents to operate privately owned retail cannabis stores in the Province of Manitoba during the Province's request for proposals that ran from November 7, 2017 to December 22, 2017 (the "**RFP**"), conditional upon several factors, including completing necessary agreements and providing the required documentation as outlined in the RFP. Each of the four proponents were awarded the opportunity to open a total of 10 corporate retail cannabis store locations. The Government of Manitoba required that each of the 10 corporate locations to be opened by a successful proponent enter into a retail organization agreement (a "**Retail Organization Agreement**") with the Province of Manitoba. Manitoba's Minister of Growth, Enterprise and Trade is the designated signatory for the Retail Organization Agreements. Under the terms of its Retail Organization Agreements with the Manitoba Provincial Government, a proponent is permitted to build, develop and operate retail cannabis stores in approved municipalities in the Province of Manitoba. As the Retail Organization Agreements follow a standard form for each recipients' 10 possible corporate retail cannabis stores, the Company refers to its Retail Organization Agreement as the "**Master Retailer Agreement**". The Master Retailer Agreement acts as the binding terms between the Manitoba Government and Company, however, it is separate and distinct from the Company's provincial cannabis licenses. Manitoba retail cannabis licenses are issued by LGA. In order to receive a license from LGA, a proponent must first have an executed Retail Organization Agreement in place.

The following is a summary of the key terms of the Master Retailer Agreement:

- no expiry date or specific term – the Master Retailer Agreement can only be terminated for breach and, therefore, does not contain renewal provisions;

- the Company must deliver a $50,000 letter of credit to the province in connection with each proposed retail cannabis location;

- the Company can sell cannabis purchased through the MBLL;

- the Company must pay for cannabis purchased through the MBLL upon placing the product order;

- each of the Company's retail location must be open a minimum number of hours per week;

- the Company must remit 6% of revenue from cannabis sales from each retail cannabis store to the Province of Manitoba as a social responsibility fee; and

- each of the Company's 10 potential retail cannabis locations must be approved by the LGA.

Upon obtaining a cannabis retail license for a particular retail location from the LGA, the Company is legally permitted to sell cannabis at that particular location. In order for the LGA to issue a license, retail stores must have their physical set-up (e.g. security system, cannabis storage and display) and other government approvals (e.g. municipal occupancy permit) in place, in addition to an executed Master Retailer Agreement.

During the Province of Manitoba's first phase of retail cannabis implementation, NAC has contractual rights to open 10 recreational stores in various Manitoba municipalities and an additional four stores on First Nations lands for a provincial total of 14 META branded stores. The Company currently has four Manitoba stores open in partnership with First Nations on First Nations lands, as well as five additional corporate stores. Subject to the availability of reliable cannabis supply, the Company plans to open a further five corporate retail cannabis stores by the end of 2019.

Each First Nation's store is owned and operated as part of limited partnerships entered into with NAC and various First Nations in December of 2017. NAC holds 49% of the units of each of the limited partnerships while each First Nation partner holds 51% of the units of their respective limited partnership. NAC will collect 5% of the revenue from each limited partnership as a management service fee. NAC has hired indigenous members of the First Nation partners to staff each store location.

British Columbia

As of the date hereof, NAC has submitted seven retail cannabis license applications in the Province of British Columbia. The *Cannabis Licensing Regulation* (British Columbia) limits the total number of licenses per retailer to eight. NAC intends to apply for one additional retail cannabis license in the Province of British Columbia for a total of eight license applications. There is no assurance that any of the five applications filed by the Company, or any future applications filed by the Company, will be issued under the *Cannabis Control and Licensing Act* (British Columbia).

Ontario

On November 14, 2018, the Ontario Government released regulations under the *Cannabis License Act, 2018* (Ontario) which provide a licensing and regulatory regime for privately-owned and operated cannabis retail stores in Ontario. The Company intends to establish retail operations in Ontario, however, such operations may be operated by way of a franchise model or other structure as the Ontario regulations currently do not permit the granting of retail operator licenses to corporations if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more Licensed Producers or their affiliates. The Company is closely following developments in Ontario and is evaluating potential retail possibilities and store locations throughout the province. There can be no guarantee that the Company will be granted a retail cannabis operating license. If granted a license, or after licensing opens to more participants, there is no guarantee that the Company will be eligible for a retail license.

Medical Clinics

In 2017, NAC operated 11 clinics. Currently, NAC operates two clinics in Ontario and one clinic in each of the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba, for a total of six clinics.

The Company facilitates the appropriate use of medical cannabis by connecting patients with knowledgeable healthcare practitioners, coordinating clinic visits, managing medical cannabis education, providing assistance with product selection, coordinating patient registration with Health Canada approved Licensed Producers and continued follow-up. The Company's clinics act as a referral hub for healthcare providers that wish to refer patients that may (in their view) benefit from medical cannabis. Patients are then screened further for eligibility.

Across its six clinics, the Company employs a total of 23 cannabis care professionals, including: 8 Cannabinoid Therapy Educators, 7 Cannabinoid Therapy Assistants, 5 clinic managers and 3 clinic assistants. In addition, to support its six medical clinics, the Company maintains affiliate relationships with four nurse practitioners and nine physicians across the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

The clinic staff provide patients with an in-depth education session and provide a liaison service with Licensed Producers that assists patients in selecting strains of medical cannabis based on the patient's condition and medical needs. Each clinic typically has one to three Cannabinoid Therapy Educators on staff per location. The minimum qualifications of the caregiver/health care provider are nursing certificates or degrees (RPNs, LPNs, RNs, or IMGs). In addition, training is received from upper medical staff, Licensed Producers, cannabis strain guides, and other cannabinoid educational resources. The Company's clinic staff are trained and knowledgeable on the different types of medical cannabis products available from Licensed Producers, in order to help the patient make the most appropriate decision when selecting a Licensed Producer. Clinic staff prepare the patient's medical file and an affiliated physician or nurse practitioner reviews the file with clinic staff before the patient's consultation. If the consultation with the affiliated physician results in a prescription for medical cannabis, clinic staff work with the patient to help register that patient with a Licensed Producer and to transmit the patient's order. Clinic staff educate the patient on the Licensed Producer's product-indications, side-effects, cost, dosage forms and administration methods. The decision as to which Licensed Producer to select, ultimately rests with the patient.

The Company has 19 contracts ("**LP Contracts**") with Licensed Producers under the Access to Cannabis for Medical Purposes Regulations, SOR/2016-230 to the Controlled Drugs and Substances Act (S.C. 1996, c. 19). The LP Contracts govern the business relationship between the Company and the Licensed Producer. Pursuant to the LP Contracts, the Company is paid an education grant, which is paid in cash. Please refer to the Revenue section below for detail on Licensed Producer commission revenue. The Licensed

Producer's provide medical cannabis educational materials to the Company's clinics and the Company provides these educational materials to its patients. The Company has no relationships with any dispensaries or other cannabis distributors and no physician, caregiver or employee of the Company receives any commissions, incentives, or other fees from Licensed Producers.

There is currently no equity ownership, cross directorship or other relationship which results in a conflict of interest or related party issues between the Company's clinics and any Licensed Producer, distributor, or dispensary, however, the Company continues to explore new business opportunities. The Company clinics operate under municipal business licenses, which the Company and clinics maintain in good standing. The Company does not have any other specific license for operating its clinics. It is the responsibility of the clinic's physicians and nurse practitioners to maintain the required practice licences.

Pharmacy Medical Cannabis Management System

In 2018, NAC undertook a strategic shift to close certain of its brick and mortar clinics and transition to a virtual platform while concurrently pivoting operations into partnerships with existing pharmacies with the anticipation of pharmacies receiving a license to dispense cannabis medicines. To further enhance this strategic shift, NAC acquired 51% of National Access Cannabis Medical Inc. ("**NACM**") in April 2018. At the time of the acquisition, NACM had 40 pharmacies under contract with a strategy to expand further. As of the date hereof, NACM has entered into service agreements with 149 pharmacies. 130 of NACM's contracted pharmacies are located in Ontario, 17 are located in British Columbia and one each in Alberta and Saskatchewan. The Company does not directly employ or contract with any caregivers at its partner pharmacies.

The Company's strategic transition away from bricks and mortar medical cannabis clinics to partnerships with independent pharmacies and traditional medical clinics is being facilitated by the implementation of a Medical Cannabis Management System ("**MCMS**") for partner pharmacies.

The MCMS provides pharmacies with a turnkey medical cannabis program for their patients and, when legally permissible, assistance with management of quality product sourcing and distribution. Partner pharmacies can screen and refer appropriate patients to NACM clinics, with the goal of providing access to knowledgeable medical cannabis practitioners and cannabinoid educators. Pharmacists will also be involved in medical cannabis counselling and follow-up as needed, at the community pharmacy level. Implementation of MCMS at pharmacies will help to provide comprehensive medical cannabis related patient care through medical cannabis education for both patients and healthcare providers, access to prescribers and, in the future, sourcing of quality cannabis products and competitive pricing for pharmacy partners and their patients.

Future telemedicine or in person appointments and counselling sessions are anticipated to take place in pharmacies and associated medical clinics in addition to NACM clinics. NACM will utilize a call-center and advanced EMR system to help co-ordinate care. In addition, patients and healthcare providers will have the opportunity to participate in research conducted through NAC Bio Inc.'s ("**NAC Bio**") clinical research division.

Until pharmacies can dispense on site, NACM will generate revenue for the services it provides at partner pharmacies through the education grants it receives from Licensed Producers. Once pharmacies are provided with a license to dispense, NACM will generate revenue through the wholesale margin that it earns for supporting the pharmacies in acquiring cannabis medicines from Licensed Producers.

NAC Bio

NAC Bio is a patient-centered health information company utilizing cutting-edge digital technologies to advance cannabis research, innovation, and personalized cannabis care. NAC Bio is a majority controlled subsidiary of NAC and was founded by NAC and Dr. Tyler Wish in 2018 to provide NAC with a special purpose entity for developing innovative and R&D-intensive solutions to industry challenges.

In partnership with NACM, NAC Bio is developing a digital platform to accelerate research, innovation, and commercialization opportunities within the field of medicinal cannabis.

The medicinal cannabis sector is limited by a lack of high-quality information on medical cannabis patients and inadequate digital infrastructure required for pursuing sophisticated, large-scale research and innovation opportunities. Consequently, to date, the sector has been unable to apply modern research tools and analysis (e.g. human genomics and machine learning technologies) to the challenges of developing evidence-based guidelines, providing personalized patient care, performing therapeutic discovery, and generating real-world evidence. NAC Bio was established to address all of these challenges and limitations.

NAC Bio is currently developing an information database on the human use of medicinal cannabis via the NAC Registry, a voluntary patient registry that will collect high-quality, integrated (clinical, genomic, and patient outcomes), and longitudinal information from voluntary participants receiving care from NAC Medical.

It is anticipated that the NAC Bio knowledge base will be utilized in conjunction with NAC Bio's computational platform to enable enhanced patient care (e.g. treatment decision making algorithms), perform data-driven drug discovery (i.e. the development of intellectual property related to novel cannabis-related targets, compounds, and formulations), and to provide contract research services to industry partners (e.g. clinical trial matching and real-world evidence).

NAC Bio provides a unique opportunity to develop a powerful information resource to be utilized towards advanced sophisticated digital research, innovation, and commercialization opportunities and also can be utilized to return data-driven insights to patients and care providers that enhances the quality of care that NAC provides to its customers.

NAC Bio is led by Dr. Tyler Wish, a trained epidemiologist who holds a PhD (medicine) from Memorial University and a BSc from the University of Victoria. Prior to NAC Bio, Dr. Wish was the cofounder and chief executive officer of Sequence Bio, a privately-held, venture-backed biotechnology company utilizing the unique population genetics of Newfoundland in conjunction with machine learning technologies to enable computational drug discovery. Dr. Wish was appointed as one of 10 Canadian Innovation Leaders by the Honorable Minister Navdeep Bains and he currently sits on the Board of ACTUA Canada, Canada's largest youth STEM outreach.

Analysis of the Company's Financial Performance and Condition

Selected Quarterly Financial Information

The following table sets out certain selected financial information of the Company's consolidated financial statements for the last eight quarters:

	Quarter Ended							
	May 31, 2017	Aug 31, 2017	Nov 30, 2017	Feb 28, 2018	May 31, 2018	Aug 31, 2018	Nov 30, 2018	Feb 28, 2019
Revenue	363,581	401,630	437,352	475,412	529,274	514,476	3,787,228	16,202,100
Net Loss	(1,615,884)	(4,691,375)	(1,344,068)	(1,313,110)	(2,324,505)	(4,236,837)	(7,876,151)	(5,647,754)
Net Loss Per Share - Basic	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)	(0.04)	(0.03)
Net Loss Per Share - Diluted	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)	(0.04)	(0.03)

The Company has incurred losses over the last eight quarters as it implements initiatives to continue growing its business within the retail and medical cannabis industry in Canada. Significant start-up costs have been incurred to build the infrastructure to open a total of 23 retail locations as at February 28, 2019. Revenue has increased significantly for the six months ended February 28, 2019 due to the opening of cannabis retail locations in Manitoba and Alberta.

Results of Operations

$	Three months ended		Six months ended	
	28-Feb-19	**28-Feb-18**	**28-Feb-19**	**28-Feb-18**
Total revenue	16,202,100	475,412	19,989,328	912,764
Cost of goods sold	(10,972,284)	(125,048)	(13,311,591)	(301,464)
Gross profit	5,229,816	350,364	6,677,737	611,300
Gross profit margin	32%	74%	33%	67%
General and administrative expenses	(8,399,644)	(1,523,299)	(14,364,254)	(2,910,398)
Advertising and marketing expenses	(93,782)	(28,787)	(352,272)	(64,922)
Amortization	(877,089)	(90,064)	(1,420,073)	(179,472)
Share based compensation	(373,464)	(21,324)	(671,171)	(113,686)
Loss from operations	(4,514,163)	(1,313,110)	(10,130,033)	(2,657,178)
Adjusted EBITDA (1)	(1,361,420)	(1,159,222)	(3,477,793)	(2,294,506)
Accretion expense	(419,673)	-	(468,604)	-

$	Three months ended		Six months ended	
	28-Feb-19	**28-Feb-18**	**28-Feb-19**	**28-Feb-18**
Interest on short-term debt	(149,918)	-	(718,411)	-
Interest on convertible debenture	(564,000)	-	(564,000)	-
Commitment fee	-	-	(1,642,857)	-
Net comprehensive loss	(5,647,754)	(1,313,110)	(13,523,905)	(2,657,178)
Loss per share - basic and diluted	(0.03)	(0.01)	(0.08)	(0.02)
Deficit, at end of period	(33,099,285)	(12,220,671)	(33,099,285)	(12,220,671)

Notes:

(1) Adjusted EBITDA is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. For more information and a reconciliation of non-IFRS measures to the closest IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.

The net comprehensive loss for the three months ended February 28, 2019 was $5,647,754 or $0.03 per share versus a net comprehensive loss of $1,313,110 or $0.01 per share for the three months ended February 28, 2018. The decrease in net income was primarily driven by an increase in general and operating expenses and finance costs. The significant increase in general and operating expenses was primarily attributable to expenditures incurred to commence operations at cannabis retail locations in Alberta and Manitoba, and for continued expansion across Canada in the retail sector.

The net comprehensive loss for the six months ended February 28, 2019 was $13,523,905 or $0.08 per share versus a net comprehensive loss of $2,657,178 or $0.02 per share for the six months ended February 28, 2018. The reason for the increase in losses in the six-month period is consistent with the reasons for higher losses in the three-month period above.

Some of the significant changes are as follows:

- Salaries and benefits during the three and six months ended February 28, 2019 were $3,981,721 and $5,947,710 compared to the three and six months ended February 28, 2018 of $587,724 and $1,096,480. The significant increase from the previous year has been due to the expansion of operations. The Company had 272 full-time equivalents ("**FTE's**") as of February 28, 2019 versus 38 FTE's as of February 28, 2018. Staffing has increased significantly due to the opening of 23 retail locations as of February 28, 2019 along with the plan to continuously build and operate additional retail locations across Canada. The Company has also increased Corporate staffing to build the required infrastructure, processes and systems to support Corporate expansion plans for fiscal year 2019.

- Professional fees and consulting fees during the three and six months ended February 28, 2019 were $1,393,141 and $3,471,295 compared to the three and six months ended February 28, 2018 of $684,090 and $1,244,548. As a result of acquisition and expansion initiatives and developing new business opportunities and partnerships, the Company incurred significantly higher legal and consultant fees during this period.

- Rental and utilities during the three and six months ended February 28, 2019 were $1,861,242 and $2,970,461 compared to the three and six months ended February 28, 2018 of $124,537 and $261,204. The significant increase from the previous year has been due to the operation of 23 retail locations in Alberta and Manitoba as of February 28, 2019 along with rental expenses for leases entered into for additional retail locations to support further expansion throughout Canada. The total rent and utility expenses incurred to date for locations which are not yet operational amounts to $1,700,865 as at February 28, 2019.

The Company has incurred losses in recent periods and anticipates continued losses as it implements initiatives to continue growing its business. However, the Company is a relatively new organization and has been expanding rapidly. As such, losses incurred to date are primarily due to growing the business and associated infrastructure, and management believes will ultimately serve to benefit the Company and its business going forward.

The Company remains focused on maintaining its leadership position in the recreational retail cannabis industry in Canada along with client acquisition in the medical cannabis industry and will continue with aggressive expansion efforts in pursuit of this goal. The Company plans to expand its operations to all economically viable locations in Canada. Planned expansion strategies include; developing additional corporate locations, seeking acquisition opportunities and providing additional services and activities surrounding the cannabis industry within Canada and internationally.

Revenue

Revenue for the three months ended February 28, 2019 was $16,202,100 versus $475,412 in the same period in the prior year, representing a 3,308% increase from the prior year. Revenue for the six months ended February 28, 2019 was $19,989,328 versus $912,764 in the same period in the prior year, representing a 2,090% increase from the prior year.

Revenue growth is attributable to newly opened retail locations in Alberta and Manitoba. The Company had 23 retail locations in operation as of February 28, 2019 resulting in total revenue of $19,174,333 from retail operations for the six months ended February 28, 2019.

Commissions from Licensed Producers for the three and six months ended February 28, 2019 was $312,336 and $737,475 compared to the three and six months ended February 28, 2018 of $416,247 and $790,469.

Gross Profit

Gross Profit for the three and six months ended February 28, 2019 was $5,229,816 and $6,677,737 compared to the three and six months ended February 28, 2018 of $350,364 and $611,300. The increase is primarily attributed to the expansion into the retail cannabis industry and the increase in commissions revenue from Licensed Producers which have no direct costs associated with this income source. The Company has earned a 31.3% gross margin on retail operations sales to date.

Expenses

General and Administrative Expenses

	Three months ended				Six months ended			
$	28-Feb-19	%	28-Feb-18	%	28-Feb-19	%	28-Feb-18	%
Professional fees	740,149	9%	377,239	25%	2,144,851	15%	563,357	19%
Consulting fees	652,992	8%	306,851	20%	1,326,444	9%	681,192	23%
Salaries & benefits	3,981,721	47%	587,724	39%	5,947,710	41%	1,096,480	38%
Travel	104,344	1%	78,490	5%	273,648	2%	175,449	6%
Rent & utilities	1,861,242	22%	124,537	8%	2,970,461	21%	261,204	9%
Office expenses	439,296	5%	32,485	2%	701,732	5%	70,887	2%
Computer and technology	244,822	3%	11,516	1%	419,954	3%	29,723	1%
Interest & service charges	151,029	2%	1,822	0%	192,756	1%	6,450	0%
Other	224,049	3%	2,635	0%	386,697	3%	25,657	1%
Total	8,399,644	100%	1,523,299	100%	14,364,254	100%	2,910,399	100%

General and Administrative Expenses for the three and six months ended February 28, 2019 was $8,399,644 and $14,364,254 compared to the three and six months ended February 28, 2018 of $1,523,299 and $2,910,399.

The significant increase from comparable periods is due to the continued growth and expansion into the retail cannabis industry, hiring of additional managerial and administrative staff, and the development of stated business objectives.

Legal and professional fees during the three and six months ended February 28, 2019 were $740,149 and $2,144,851 compared to the three and six months ended February 28, 2018 of $377,239 and $563,357. The increase in fees was primarily attributed to legal and audit work required for general corporate matters, government, investor relations, and acquisitions and strategic partnerships during the period due to Company expansion.

Consulting fees during the three and six months ended February 28, 2019 were $652,992 and $1,326,444 compared to the three and six months ended February 28, 2018 of $306,851 and $681,192. These fees have increased with the expansion of new corporate locations and the pursuit of other business opportunities in the cannabis industry.

Salaries and benefits during the three and six months ended February 28, 2019 were $3,981,721 and $5,947,710 compared to the three and six months ended February 28, 2018 of $587,724 and $1,096,480. The notable increase is due to hiring of staff to support the Company's expanding network of retail locations and additions to the executive management team and other Corporate staffing. The Company had 272 full-time equivalents ("**FTE's**") as of February 28, 2019 versus 38 FTE's as of February 28, 2018.

Rent and utilities during the three and six months ended February 28, 2019 were $1,861,242 and $2,970,461 compared to the three and six months ended February 28, 2018 of $124,537 and $261,204. The significant increase from the previous year has been due to the opening of 23 retail locations in Alberta and Manitoba as of February 28, 2019 along with additional rental expenses for leases entered into to support further expansion throughout other provinces in Canada. The total rent and utility expenses incurred to date for locations which are not yet operational amounts to $1,700,865 as at February 28, 2019.

Office expenses and computer technology expenses during the three and six months ended February 28, 2019 were $684,118 and $1,121,686 compared to the three and six months ended February 28, 2018 of $44,001 and $100,610. The significant increase from the previous year has been due to expansion into the retail industry and related costs to build the infrastructure to support the start-up of these locations.

Share-Based Compensation Expenses

The Company's stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the Common Shares under terms and conditions determined by the board of directors of the Company. Under the terms of the plan, the options generally vest immediately or throughout a set time period and expire at various dates from the date of the grant. The board of directors has the right to modify vesting periods at the time of option grant. There were 2,310,000 issued for the six months ended February 28, 2019 compared to 2,435,000 for the six months ended February 28, 2018. The employee compensation expense related to options vested for the three and six months ended February 28, 2019 amounted to $373,464 and $671,171 compared to the three and six months ended February 28, 2018 of $21,324 and $113,686.

The number of options outstanding at February 28, 2019 amounts to 8,711,892 at a weighted average exercise price of $0.51. The Company may issue up to 10% of the issued and outstanding Common Shares under its stock option plan.

Operating Segments

Throughout the six months ended February 28, 2019, the Company operated in three segments:

1. Medical Cannabis Education Clinics – the Company owns and operates medical clinics designed to connect patients suffering from illnesses, that may be helped by medical cannabis, with Licensed Producers and providing such patients with the opportunity to access qualified health care practitioners and independent medical cannabis evaluations and advice.

2. Research – NAC Bio is a technology and research company established to advance clinical research regarding the medical benefits of cannabis for the treatment of chronic disease and illness.

3. Retail Cannabis Stores – The Company operates retail locations to sell and distribute and cannabis related products under its recreational cannabis brands META and NewLeaf.

As of February 28, 2019, NAC Bio was still in the early stages of planning and development. The Company's retail cannabis locations did not begin operating until October 17, 2018.

Three months ended February 28, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Revenue	320,114	15,881,986	-	-	16,202,100
Cost of goods sold	(47,009)	(10,925,275)	-	-	(10,972.284)
Gross profit Gross profit margin (%)	273,105 85%	4,956,711 31%	- n/a	- n/a	5,229,816 32%
Operating expenses	(598,928)	(4,965,013)	(168,302)	(4,011,736)	(9,743,979)
Loss from operations	(325,823)	(8,301)	(168,302)	(4,011,736)	(4,514,163)
Adjusted EBITDA Adjusted EBITDA %	(240,178) n/a	1,769,914 11%	(168,302) n/a	(2,722,554) n/a	(1,361,420) n/a
Other expenses	-	-	-	(1,133,591)	(1,133,591)
Net loss	(325,823)	(8,301)	(168,302)	(5,145,327)	(5,647,754)

Six months ended February 28, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Revenue	814,994	19,174,333	-	-	19,989,328
Cost of goods sold	(138,332)	(13,173,259)	-	-	(13,311,591)
Gross profit Gross profit margin (%)	676,663 83%	6,001,074 31%	- n/a	- n/a	6,677,737 33%
Operating expenses	(1,197,253)	(7,324,560)	(304,460)	(7,981,497)	(16,807,770)
Loss from operations	(520,990)	(1,323,486)	(304,460)	(7,981,497)	(10,130,033)
Adjusted EBITDA Adjusted EBITDA %	(367,235) n/a	2,362,888 12%	(304,460) n/a	(5,168,986) n/a	(3,477,793) n/a
Other expenses	-	-	-	(3,393,872)	(3,393,872)
Net loss	(520,590)	(1,323,486)	(304,460)	(11,375,369)	(13,523,905)

Retail Cannabis Stores

As at February 28, 2019, the Company had 23 retail locations in operation, with 9 operating in Manitoba and 14 operating in Alberta. The Company had 4 operational locations in the month of October, 13 additional locations operating in November, and 3 new stores were opened in both December and January.

Significant start-up costs have been incurred throughout this period to build the infrastructure to open these stores, and the Company has incurred additional carrying costs throughout Manitoba, Alberta, British Columbia, and Ontario for planned store openings which have not occurred due to external factors out of the Company's control.

Balance Sheet

$	As at		
	28-Feb-19	**31-Aug-18**	**28-Feb-18**
Total assets	92,631,549	46,818,315	10,746,150
Total liabilities	41,919,184	30,726,860	669,534
Share capital	70,998,116	25,794,995	21,463,560
Warrants	3,268,924	2,952,235	297,735
Equity portion convertible debentures	3,235,645	-	-
Contributed surplus	1,916,625	1,245,455	535,992
Accumulated other comprehensive loss	(428,571)	(428,571)	-
Non-controlling interest	4,820,912	4,956,331	-
Deficit, at end of period	(33,099,285)	(18,428,990)	(12,220,671)

Total Assets

Total assets of the Company were $92,631,549 on February 28, 2019 versus $46,818,315 on August 31, 2018. The increase in total assets is primarily due to an increase in intangible assets acquired as a result of the acquisition of the Green Company Ltd. on September 11, 2018 (pursuant to which the Company acquired the NewLeaf brand). Assets also increased due to capital asset additions, inventory purchases, and prepaid lease deposits as a result of the expansion into the recreational retail sector in the first quarter.

This was offset by a reduction in cash due to the continued expansion of the Company's operations over the six months ended February 28, 2019.

Total Liabilities

Total liabilities increased to $41,919,184 at February 28, 2019 versus $30,726,860 on August 31, 2018 primarily due to the $9,000,000 loan with Opaskwayak Cree Nation ("**OCN**") on December 14, 2018. The loan has a six-month term and carries an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of $1.08 per Common Share for a period of three years from the date of the loan agreement.

Liabilities also increased due to the Special Warrant Financing (as defined below), which the Company completed on November 23, 2018, whereby the Company offered Special Warrants (as defined below) that entitle the holders to receive Convertible Debentures (as defined below) upon exercise of the Special

Warrants. For more information about the Special Warrants and Special Warrant Financing see "*Analysis of the Company's Financial Performance and Condition – Financing Activities*" below.

The Company used the residual value method to allocate the principal amount of the Convertible Debentures between the liability and equity components. The Company valued the debt component of the Convertible Debentures by calculating the present value of the principal and interest payments, discounted at a rate of 15%, being management's best estimate of the rate that a non-convertible debenture with similar terms would earn. The Company has allocated the proceeds from issuance between the estimated fair value of equity and debt components using an effective interest rate for the debt component of 15%. Based on this calculation, the liability component is $17,009,185 ($17,769,685 net of transaction costs) and the residual equity component is $3,235,645 ($3,380,315 net of transaction costs). As at February 28, 2019, the accreted interest on the Convertible Debentures was $390,628 and accrued interest amounted to $564,000.

This was offset by the repayment of a $25,000,000 loan (the "**OCN Loan**") with **OCN** on November 23, 2018. The OCN Loan had a six-month term and carried an interest rate of 10% per annum. On November 22, 2018, the Company fully repaid the outstanding OCN Loan. The sum of the payout was $26,716,197 which included principal repayment of $25,000,000 and $1,642,857 in commitment fees. The balance of the payout included payments for interest and other payment obligations including legal fees, and other expenses.

Total Share Capital

The authorized capital stock of the Company consists of an unlimited number of Common Shares. Below are the number of issued and outstanding Common Shares, warrants and options.

	As at		
	28-Feb-19	**31-Aug-18**	**28-Feb-18**
Common Shares	185,710,846	135,700,258	129,843,028
Warrants	12,614,162	10,755,937	6,060,076
Options	8,711,892	8,151,892	8,482,112

Liquidity and Capital Resources

The unaudited condensed interim consolidated financial statements for the six months ended February 28, 2019 are prepared by management in accordance with IFRS on a going concern basis, which assumes that the Company will be able to continue to operate for the foreseeable future. However, the Company is exposed in varying degrees to a variety of financial risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. For further discussion of risks related to the Company's business, including financial risks, please see "*Known Trends, Risks or Demands*" in the Company's annual management discussion and analysis for the year ended August 31, 2018 (available on SEDAR at www.sedar.com).

The Company has incurred losses since incorporation and as of February 28, 2019 had an accumulated deficit of $33,099,285 (August 31, 2018: $18,428,990). The Company is in the development stage of expanding by opening and acquiring locations throughout Canada while continuing to explore other business opportunities within the cannabis industry. The Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects.

In the longer term, the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital and generate positive cash flow and net income. There can be no assurance that equity financings will be available to the Company in the future on terms satisfactory to the Company. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions and its ability to expand operations within the cannabis industry in Canada.

Financing Activities

For the six months ended February 28, 2019, the Company generated $39,965,952 in cash from financing activities versus $5,980,578 for the six months ending February 28, 2018.

On October 26, 2018, the Company closed the first tranche of a private placement offering (the "**LP Financing**") of 21,978,020 Common Shares at a price of 0.91 per Common Share for total proceeds of $20.0 million. The closing was the first of three tranches pursuant to the terms and conditions of applicable subscription agreements and master investment agreements (the "**Subscription Documents**") whereby four Licensed Producers, Aphria Inc., CannTrust Inc., VIVO Cannabis Inc. and Zenabis Ltd. (the "**LPs**") subscribed, in aggregate, for up to $55 million in Common Shares in three tranches, subject to the terms and conditions of the Subscription Documents, including the achievement of future retail expansion milestones (the "**LP Financing**"). In order to participate in the LP Financing, NAC and each of the LPs entered into the Subscription Documents committing to, among other things, subscribe for an aggregate amount of either $10,000,000 or $15,000,000 of Common Shares in two or three tranches.

On November 23, 2018 the Company also completed a brokered private placement offering (the "**Special Warrant Financing**") of special warrants of NAC ("**Special Warrants**"). Each Special Warrant entitles the holders thereof to receive 8.00% senior secured convertible debentures of the Company ("**Convertible Debentures**") upon exercise or deemed exercise of the Special Warrants. 21,150 Special Warrants were issued at a price of $1,000 per Special Warrant for aggregate gross proceeds to the Company of $21,150,000. The net proceeds from the Offering were used by the Company to repay existing debt. In consideration of the services provided by the agents under the offering, the Company paid the agents a cash fee equal to 6% of the gross proceeds of the offering.

Each Special Warrant entitles the holder thereof to receive, subject to adjustment in certain instances and without payment of any further consideration, one Convertible Debenture, each with a deemed issue price of $1,000 per Convertible Debenture. The Convertible Debentures will be senior, secured obligations of NAC and will bear interest at a rate of 8.00% per annum, payable semi-annually in arrears on May 31 and November 30 of each year, commencing May 31, 2019. The Convertible Debentures will be convertible at any time at the option of the holders thereof into Common Shares at a conversion price of $1.08 per Common Share (the "**Conversion Price**"), subject to customary adjustment. The Convertible Debentures will mature on November 30, 2021.

The Company has the right at any time beginning March 24, 2019 to force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $1.57 for any 10 consecutive trading days. Holders converting their Convertible Debentures under a mandatory conversion will receive unpaid interest thereon for the period from the date of the latest interest payment date to, and including, the maturity date.

Investing Activities

For the six months ended February 28, 2019, the Company allocated $30,545,999 in cash to investing activities versus $71,942 for the six months ended February 28, 2018.

Capital additions for the six months ended February 28, 2019 amounted to $11,997,476 (Net of capital assets acquired from business acquisition). These costs were incurred to build out retail locations in Manitoba and Alberta.

Working Capital

The Company had a working capital surplus of $14,684,182 on February 28, 2019 versus a deficiency of $1,278,405 as at August 31, 2018. Expenditures incurred for the rapid expansion of the Company have been offset by cash inflows from financing activities throughout the year.

Current assets increased to $26,379,237 at February 28, 2019 from $25,096,462 at August 31, 2018 primarily as a result of a decrease in cash, offset by an increase in inventory and prepaid expenses primarily attributable to working capital for start-up retail operations.

Current liabilities decreased to $11,695,055 at February 28, 2019 from $26,374,867 at August 31, 2018. The decrease in current liabilities is primarily due to the repayment of the OCN Loan.

Cash Used in Operations

$	28-Feb-19	28-Feb-18
Net loss for period	(13,523,905)	(2,657,178)
Add charges to operations not requiring current cash payment	3,644,348	291,275
Changes in non-cash working capital balances related to operations	(9,350,906)	(740,830)
Cash used in operating activities	(19,230,458)	(3,106,734)

Cash used in operating activities amounted to $19,230,458 for the six months ended February 28, 2019 compared to $3,106,734 for the same period in 2018.

Changes in non-cash working capital balances related to operations were $9,350,906 for the six months ended February 28, 2019, compared to $740,830 for the six months ended February 28, 2018, primarily due to an increase in working capital required for the expansion into the recreational retail market in Canada.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of the date of this MD&A.

Transactions between Related Parties

Rocco Meliambro, a director of the Company has been engaged to provide consulting services to the Company. During the six months ended February 28, 2019, the Company's expenses included $60,000 (2017 - $20,000) related to these services.

A Director of the Company, Christian Sinclair, is Chief of OCN. On December 14, 2018, the Company entered into a $9,000,000 loan agreement with OCN. The loan has a six-month term and carries an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of $1.08 per Common Share for a period of three years from the date of the loan agreement.

Financial Instruments

IFRS requires that the Company disclose information about the fair value of our financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company's financial instruments consist of cash, accounts receivable, accounts payable, short-term loans and accrued liabilities, and other payables due to directors. Management estimates that the fair value of these financial instruments approximates their carrying values due to the relatively short maturity periods of these instruments.

Changes in Accounting Policies and Critical Accounting Estimates

The significant accounting policies applied in preparation of the unaudited condensed interim consolidated financial statements for the six months ended February 28, 2019 are consistent with those applied and disclosed in Note 2 of the Company's 2018 audited consolidated financial statements. Critical accounting estimates remain the same as disclosed in the audited consolidated financial statements for the year ended August 31, 2018.

Non-IFRS Financial Measures

Adjusted EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that this measure should not replace Income or Loss from Operations (as determined in accordance with IFRS) as an indicator of the Company's performance. The Company's method of calculating the aforementioned non-IFRS measure may differ from the methods used by other issuers. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA has been derived by adding Amortization; Professional Fees associated with fundraising and acquisition activities; Integration and Restructuring costs; Pre-operating retail expenses; and Share Based compensation to Loss from Operations. Management believes the presentation of Adjusted EBITDA provides useful information to investors as it provides for increased transparency and predictive value of the Company's recurring financial results. Management uses Adjusted EBITDA to set targets and assess performance of the Company.

Refer to the tables below for a reconciliation of Loss from Operations to Adjusted EBITDA.

The economic substance of these exclusions and management's rationale for excluding them from non-IFRS financial measures is:

Share Based Compensation - Employee stock-based compensation expense, which represents the estimated fair value of stock options granted, is excluded because grant activities vary significantly from quarter-to-quarter in both quantity and fair value. In addition, excluding this expense allows the Company to better compare core operating results with those of its competitors who may have different granting patterns and types of equity awards, and who may use different valuation assumptions than NAC.

Amortization - consist of non-cash charges against tangible and intangible assets that are impacted by the timing and magnitude of acquired assets and businesses. Amortization varies among competitors, and NAC believes that excluding these costs permits a better comparison of core operating results.

Integration and Restructuring - includes costs relating to employee severance and lease terminations. These costs are excluded because management believe that they are not directly related to ongoing operating results and do not reflect expected future operating expenses after completion of these activities.

Pre-operating retail expenses – includes costs relating to securing leases on retail space, store lease and utility costs prior to the store being operational, employee training prior to store opening. These costs are excluded because management believe that they are not directly related to ongoing operating results and do not reflect expected future operating expenses after completion of these activities.

Professional Fees associated with fundraising and acquisition activities – includes fees paid to law firms and investment banks for services provided to raise capital and evaluate and close business acquisitions. While such services are expected for a company operating in an early stage and high growth industry such as cannabis, management has excluded these costs in order to better compare against competitors who may have a different philosophy and frequency of such activities.

Reconciling to Adjusted EBITDA

$	Three Months Ended		Six Months Ended	
	28-Feb-19	28-Feb-18	28-Feb-19	28-Feb-18
Loss from operations	(4,514,163)	(1,313,110)	(10,130,033)	(2,657,178)
Amortization of property and equipment	457,956	90,064	581,807	179,472
Amortization of intangible assets	419,133	-	838,266	-
Professional fees – fundraising and acquisition	283,113	42,500	922,594	69,514
Integration and restructuring costs	213,472	-	380,480	-
Pre-operating retail expenses	1,405,604	-	3,257,922	-
Share based compensation	373,464	21,324	671,171	113,686
Adjusted EBITDA	(1,361,420)	(1,159,222)	(3,477,793)	(2,294,506)

Three months ended February 28, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Loss from operations	(325,823)	(8,301)	(168,302)	(4,011,736)	(4,514,163)
Amortization of property and equipment	86,645	372,311	-	-	457,956
Amortization of intangible assets	-	-	-	419,133	419,133
Professional fees – fundraising and acquisition	-	-	-	283,113	283,113
Integration and restructuring costs	-	-	-	213,472	213,472
Pre-operating retail expenses	-	1,405,604	-	-	1.405,604
Share based compensation	-	-	-	373,464	373,464
Adjusted EBITDA	(240,178)	1,769,914	(168,302)	(2,722,554)	(1,361,420)

Six months ended February 28, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Loss from operations	(520,590)	(1,323,486)	(304,460)	(7,981,497)	(10.130,033)
Amortization of property and equipment	153,355	428,452	-	-	581,807
Amortization of intangible assets	-	-	-	838,266	838,266
Professional fees – fundraising and acquisition	-	-	-	922,594	922,594
Integration and restructuring costs	-	-	-	380,480	380,480
Pre-operating retail expenses	-	3,257,922	-	-	3,257,922
Share based compensation	-	-	-	671,171	671,171
Adjusted EBITDA	(367,235)	2,362,888	(304,460)	(5,168,986)	(3,477,793)

Major Operating Milestones

On December 14, 2018, the Company entered into a $9,000,000 loan agreement with OCN. The loan has a six-month term and carries an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of $1.08 per Common Share for a period of three years from the date of the loan agreement.

On January 7, 2019 the Company received receipt from the Ontario Securities Commission for the final short form prospectus of the Company dated January 4, 2019. The final prospectus was filed with the securities regulatory authorities to qualify the distribution of $21,150,000 aggregate principal amount of Convertible Debentures issuable, for no additional consideration upon the deemed exercise of 21,150 Special Warrants. The Special Warrants were the Special Warrants previously issued on November 23, 2018 pursuant to the Special Warrant Financing. For more information about the Special Warrants and the Special Warrant Financing see "*Analysis of the Company's Financial Performance and Condition – Financing Activities*" above.

On January 16, 2019 the Company entered into a share purchase agreement with the shareholders of New Leaf Emporium, whereby the Company will acquire all of the issued and outstanding shares of New Leaf Emporium, subject to certain conditions being met. New Leaf Emporium currently operates a retail cannabis location in Moose Jaw, Saskatchewan. Under the terms of the share purchase agreement, the total purchase price payable for the New Leaf Emporium shares is $1.6 million, comprised of a cash payment of $1.2 million and the issuance of 649,880 Common Shares, which have an aggregate dollar value of approximately $400,000. Additionally, pursuant to the terms of the agreement the Company will reimburse New Leaf Emporium for certain expenses associated with the build out of the Moose Jaw premises on standard commercial terms.

On February 25, 2019, the Company announced the appointment of Michael Cosic as Chief Financial Officer ("CFO") and Lori Bailey as Senior Vice-President of Retail. Current Chief Financial Officer, Michael Best, will remain with NAC and has been appointed Chief Accounting Officer.

Known Trends, Risks or Demands

The Company is exposed to numerous risks and uncertainties. For more information on risk factors associated with the Company's business, see "*Known Trends, Risks or Demands*" in the Company's annual Management's Discussion and Analysis for the year ended August 31, 2018 (available on SEDAR at www.sedar.com). Risks and uncertainties have not materially changed for the six months ended February 28, 2019.

The risks and uncertainties described in the Company's annual management's discussion and analysis for the year ended August 31, 2018 are not the only risks the Company could face, but could materially and adversely affect business, financial condition, results of operations and future prospects of the Company. Additional risks and uncertainties that the Company's management is unaware of, or that management currently view as not material, may also become important factors that could adversely affect the Company's business.

The Company operates in a new and highly competitive industry that faces significant regulation. The cannabis industry in Canada is very competitive and developing rapidly. As new risks emerge, management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

The Company's ability to grow a corporate model of clinics and retail outlets, and its ability to retail cannabis in Canada will depend on the Company being granted distribution and operating licenses from Federal, Provincial, and Municipal levels of government in Canada. Inability to obtain licenses or failure to comply with the requirements of licenses or to maintain a license would have a material adverse impact on the business, financial condition, and operating results of the Company. The cannabis industry is subject to extensive controls, compliances and regulations that could significantly affect the financial condition of market participants. Many factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, legislation, enactments, and bylaws could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business and a business distributing cannabis as a regulated medical and consumer product, the Company will need to build brand awareness in the new industry and market through significant investments in its strategy, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements, and unique circumstances.

The ability to execute the business objectives stated in this MD&A is contingent, in part, upon compliance with regulatory requirements enacted by said governmental authorities, as well as obtaining all regulatory approvals for the sale of cannabis-based products and applicable patient services. Any delay in obtaining, or failure to obtain regulatory approvals would significantly delay the development of corporate objectives, which could have a material adverse effect on the Company`s business and financial condition.