

NATIONAL ACCESS CANNABIS CORP.

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

**For the three and six months ended February 28, 2019 and 2018
(Expressed in Canadian Dollars)**

**Notice of No Auditor Review of Interim Condensed Financial Statements
For the three and six-month period ended February 28, 2019 and February 28, 2018**

The accompanying unaudited interim condensed financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management and have been approved by the Audit Committee and Board of Directors of the Corporation.

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

(signed) "Mark Goliger"

Chief Executive Officer

"(signed) "Mike Cosic"

Chief Financial Officer

April 16, 2019

Toronto, Ontario

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Financial Position
February 28, 2019 and August 31, 2018
(Unaudited - Expressed in Canadian Dollars)

	Notes	February 28 2019	August 31 2018
Assets			
Current			
Cash and cash equivalents		13,685,723	23,496,232
Trade and other receivables	Note 4	1,714,807	882,461
Inventory	Note 5	6,077,174	51,062
Prepaid expenses	Note 6	4,901,533	666,707
		26,379,237	25,096,462
Non-current			
Property and equipment	Note 7	13,147,125	1,731,456
Loan receivable		-	1,750,000
Investment		49,078	1,869,729
Intangible assets	Note 8	44,037,830	14,956,729
Goodwill	Note 8	9,018,279	1,413,939
Total Assets		92,631,549	46,818,315
Liabilities			
Current			
Trade and other payables		2,702,446	1,360,067
Debt financing	Note 9	8,891,244	25,000,000
Lease inducements		101,365	14,800
		11,695,055	26,374,867
Non-current			
Lease inducements		345,976	41,993
Due to shareholders	Note 10	230,000	230,000
Contingent consideration	Note 19	4,080,000	4,080,000
Convertible debenture	Note 11	17,963,813	-
Deferred tax liability	Note 12	7,604,340	-
Total liabilities		41,919,184	30,726,860
Shareholders' Equity			
Share capital	Note 13	70,998,116	25,794,995
Warrants		3,268,924	2,952,235
Equity portion of convertible debenture	Note 11	3,235,645	-
Contributed surplus		1,916,625	1,245,455
Accumulated other comprehensive loss		(428,571)	(428,571)
Accumulated deficit		(33,099,285)	(18,428,990)
Equity attributable to National Access Cannabis Corp		45,891,453	11,135,124
Non-controlling interest		4,820,912	4,956,331
Total equity		50,712,365	16,091,455
Total liabilities and equity		92,631,549	46,818,315

Going concern (Note 1)

These financial statements were authorized for issue by the Board of Directors on April 15, 2019. They are signed on the Company's behalf by:

"Marc Lustig"

Director

"Rocco Meliambro"

Director

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Loss
Three and six months ended February 28, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	Three months ended February 28		Six months ended February 28	
	2019	2018	2019	2018
Revenues				
Cannabis sales	15,091,577	-	18,194,562	-
Merchandise and accessory sales	795,854	34,244	1,000,152	67,064
Commissions	312,336	416,247	737,475	790,469
Other revenue	2,332	24,921	57,138	55,231
	16,202,100	475,412	19,989,328	912,764
Cost of Goods Sold				
Cannabis	10,493,652	-	12,627,144	-
Merchandise and accessory	437,182	22,216	559,396	50,750
Consultation fees (Note 16)	41,450	102,832	125,051	250,714
	10,972,284	125,048	13,311,591	301,464
Gross Profit	5,229,816	350,364	6,677,737	611,300
Expenses				
Advertising and marketing	93,782	28,787	352,272	64,922
Amortization of property and equipment	457,956	90,064	581,807	179,472
Amortization of intangible assets	419,133	-	838,266	-
Share based compensation	373,464	21,324	671,171	113,686
General and administrative expenses (Schedule)	8,399,644	1,523,299	14,364,254	2,910,398
	9,743,979	1,663,474	16,807,770	3,268,478
Loss from operations	(4,514,163)	(1,313,110)	(10,130,033)	(2,657,178)
Other expenses				
Finance and other costs (Note 17)	1,133,591	-	3,393,872	-
Net loss for the period	(5,647,754)	(1,313,110)	(13,523,905)	(2,657,178)
Net loss attributable to:				
Shareholders of National Access Cannabis Corp	(5,415,441)	(1,313,110)	(13,122,069)	(2,657,178)
Non-controlling interest	(232,313)	-	(401,836)	-
	(5,647,754)	(1,313,110)	(13,523,905)	(2,657,178)
Net loss per share (Note 18)				
Basic and diluted	(0.03)	(0.01)	(0.08)	(0.02)

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Changes in Equity
Three and six months ended February 28, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Convertible Debentures	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non- Controlling Interest	Total (\$)
	Number of Shares	Amount (\$)		Amount					
Balance, September 1, 2017	115,974,163	15,311,030	-	160,937	416,057	-	(9,563,493)	-	6,324,531
Options exercised (Note 13)	1,821,892	351,902	-	-	-	-	-	-	351,902
Warrants exercised (Note 13)	1,187,882	238,463	-	-	-	-	-	-	238,463
Private Placement (Note 13)	10,909,091	6,000,000	-	136,798	-	-	-	-	6,136,798
Share based compensation (Note 13)	(50,000)	(6,250)	-	-	119,935	-	-	-	113,685
Share issuance costs	-	(154,724)	-	-	-	-	-	-	(154,724)
Transaction costs	-	(276,861)	-	-	-	-	-	-	(276,861)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(2,657,178)	-	(2,657,178)
Balance, February 28 2018	129,843,028	21,463,560	-	297,735	535,992	-	(12,220,671)	-	10,076,616
Options exercised	1,255,220	162,748	-	-	-	-	-	-	162,748
Warrants exercised (Note 13)	304,138	189,914	-	-	-	-	-	-	189,914
Warrants – Second Cup (Note 13)	-	-	-	2,654,500	-	-	-	-	2,654,500
Acquisition - National Access Cannabis Medical Inc. (Note 12)	4,297,872	4,040,000	-	-	-	(428,571)	-	5,309,355	8,920,784
Share based compensation	-	-	-	-	709,463	-	-	-	709,463
Share issuance costs	-	(6,939)	-	-	-	-	-	-	(6,939)
Transaction costs	-	(54,288)	-	-	-	-	-	-	(54,288)
Non-controlling interest	-	-	-	-	-	-	-	(353,024)	(353,024)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(6,208,319)	-	(6,208,319)
Balance, August 31 2018	135,700,258	25,794,995	-	2,952,235	1,245,455	(428,571)	(18,428,990)	4,956,331	16,091,455
Options exercised	1,625,000	243,750	-	-	-	-	-	-	243,750
Warrants exercised (Note 13)	1,775	1,598	-	-	-	-	-	-	1,598
Private Placement (Note 13)	21,978,020	20,000,000	-	-	-	-	-	-	20,000,000
Acquisition – The Green Company Ltd. (Note 12)	23,582,000	23,582,000	-	-	-	-	-	-	23,582,000
Acquisition – NAC Northern Alberta LP (Note 12)	2,173,913	1,500,000	-	-	-	-	(1,548,226)	266,417	218,191
Acquisition – New Leaf Emporium (Note 13)	649,880	400,000	-	-	-	-	-	-	400,000
Warrants issued	-	-	-	316,689	-	-	-	-	316,689
Convertible debentures (Note 11)	-	-	3,235,645	-	-	-	-	-	3,235,645
Share based compensation	-	-	-	-	671,171	-	-	-	671,171
Share issuance costs	-	(9,954)	-	-	-	-	-	-	(9,954)
Transaction costs	-	(514,272)	-	-	-	-	-	-	(514,272)
Non-controlling interest	-	-	-	-	-	-	-	(401,836)	(401,836)
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(13,122,069)	-	(13,122,069)
Balance, February 28 2019	185,710,846	70,998,116	3,235,645	3,268,924	1,916,626	(428,571)	(33,099,285)	4,820,912	50,712,365

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Cash Flows
Six months ended February 28, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net loss and comprehensive loss	(13,523,905)	(2,657,178)
Adjustments not effecting cash		
Accretion expense	468,604	-
Amortization of property and equipment	581,807	179,472
Amortization of intangible assets	838,266	-
Amortization of lease inducements	390,548	(1,883)
Accrued Interest expense	564,000	-
Issuance of warrants	129,952	-
Share-based compensation	671,171	113,686
	(9,879,557)	(2,365,903)
Changes in non-cash working capital		
Trade and other receivables	(832,346)	(309,827)
Inventory	(6,026,112)	(30,023)
Prepaid expenses	(3,834,826)	(41,081)
Trade and other payables	1,342,379	(322,464)
Deferred revenues	-	(37,433)
Cash flows used in operating activities	(19,230,458)	(3,106,734)
Investing Activities		
Investments	(29,349)	-
Debt financing	9,000,000	-
Repayment of debt financing	(25,000,000)	-
Acquisition of businesses, net of cash acquired	(2,519,174)	-
Acquisition of property and equipment	(11,997,476)	(71,942)
Cash flows used in investing activities	(30,545,999)	(71,942)
Financing Activities		
Issuance of share capital	20,000,000	6,000,000
Issuance of convertible debentures, net of issuance costs	20,244,830	-
Issuance of warrants	1,598	375,261
Issuance of options	243,750	351,902
Share issuance costs	(9,954)	(154,724)
Transaction costs	(514,272)	(276,861)
Note payable	-	(315,000)
Cash flows provided by financing activities	39,965,952	5,980,578
Net increase (decrease) in cash and cash equivalents	(9,810,509)	2,801,902
Cash and cash equivalents, beginning of period	23,496,232	4,871,790
Cash and cash equivalents, end of period	13,685,723	7,673,692

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

National Access Cannabis Corp., formerly Brassneck Capital Corp. (“NAC” or “the Company”) was incorporated under the name Brassneck Capital Corp. pursuant to the provisions of the Business Corporations Act (Alberta) on June 18, 2015. The Company maintains its head office and registered office at Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4.

The Company was a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSXV. Pursuant to the terms of an amalgamation agreement dated July 10, 2017 between Brassneck Capital Corp., National Access Cannabis Corp. (NAC) and 1119622 B.C. Ltd. (Subco), a wholly owned subsidiary of Brassneck Capital Corp., NAC and Subco amalgamated under the Business Corporations Act (British Columbia) to form a new company under the corporate name National Access Clinic Corp. (Clinic Corp). Clinic Corp. will carry on the business previously carried on by NAC as a subsidiary of the Company. On August 30, 2017, as part of the Qualifying Transaction (described in the following paragraph), Brassneck Capital Corp. amended its articles to complete a share split of all of its issued and outstanding Common Shares and all outstanding options and warrants to purchase Common Shares on the basis of 1.205 post-Share Split Common Shares for every 1 pre-Share Split Common Share. Also, on August 30, 2017, as part of the Qualifying Transaction, Brassneck Capital Corp. changed its name to National Access Cannabis Corp.

The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “META”.

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

Going Concern Assumption

These interim condensed consolidated financial statements for the period ended February 28, 2019 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the development stage of expanding by opening and acquiring cannabis retail locations throughout Canada. While these financial statements have been prepared on a going concern basis, the Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. Several alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These factors indicate a material uncertainty that may cast significant doubt about the Company being able to continue as a going concern. The Company has incurred losses since incorporation and as at February 28, 2019 has an accumulated deficit of \$33,099,285.

The interim condensed consolidated financial statements for the period ended February 28, 2019 do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The 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").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended August 31, 2018.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 15, 2019.

2.2 Basis of measurement

The consolidated financial statements, presented in Canadian Dollars, have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of National Access Cannabis Corporation, and the wholly-owned subsidiaries, National Access Clinic Corporation, National Access Canada Corporation Wilson Master Apps Inc, National Access Cannabis MB Retail Holdings Corp, NAC Southern Alberta Ltd, META West Coast Ltd, NAC Ontario Ltd, The Green Company Limited, National Access Cannabis Management Corp, National Access Cannabis (MB FN) LP Holdings Corp, National Access Cannabis LP Holdings Corp, National Access Cannabis GP Holding Corp, META Cannabis Supply Corp, and NAC Northern Alberta Limited Partnership. The Company also has a 51% controlling interest in National Access Cannabis Medical Inc, a 57.1% controlling interest in NAC Bio Inc, and a 49% interest in NAC OCN GP Ltd, NAC OCN Limited Partnership, NAC Thompson North GP Ltd, NAC Thompson North Limited Partnership, NAC Long Plain GP Ltd, NAC Long Plain Limited Partnership, NAC Arrowhead GP Ltd and NAC Arrowhead Limited Partnership. The subsidiaries are controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the day control ceases. Non-controlling interests in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position.

The functional currency of the parent and all subsidiaries is the Canadian dollar, which is the presentation currency of the consolidated financial statements.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

3. NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations.

IFRS 9 '*Financial Instruments: Classification and Measurement*' - as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing the impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. The Company has adopted IFRS 9 on September 1, 2018. The Company has completed its assessment of the impact from this new standard. IFRS 9 introduces new requirements to determine the measurement basis of financial assets, involving cash flow characteristics of assets and the business model under which they are managed. For all financial instruments of the Company, there are no significant changes in the classification and measurement of the Company's financial assets.

IFRS 15 '*Revenue from contracts with customers*' was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The effective date is for annual periods beginning or after January 1, 2018. The Company has adopted IFRS 15 on September 1, 2018 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of September 1, 2018 and comparatives will not be restated.

The Company has completed its assessment of the impact from this new standard. Under IFRS 15, referral revenues earned from Licensed Producers are recognized over a period of time as the referred patients remain an active purchaser with the Licensed producer. Based on the Company's assessment, the adoption of this new standard does not have a material impact on its consolidated financial statements.

Merchandise and administrative revenues are recognized at the point when the control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18.

IFRS 16 '*Leases*' replaces IAS 17 '*Leases*' and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the consolidated statement of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retrospective application and with early adoption permitted. The Company continues to assess this new standard and the potential impact to the consolidated financial statements.

Management has discussed these new standards with the Audit Committee and are further analyzing the effects on the Company.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

4. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of the following:

	February 28 2019	August 31 2018
Trade receivables	437,812	579,504
Sales taxes recoverable	1,276,995	302,957
	<u>1,714,807</u>	<u>882,461</u>

5. INVENTORY

Inventory consists of cannabis inventory and merchandise and accessories at the current retail locations in operations.

	February 28 2019	August 31 2018
Cannabis inventory	5,408,868	-
Merchandise and accessories	668,306	51,062
	<u>6,077,174</u>	<u>51,062</u>

During the six months ended February 28, 2019, \$13,186,540 of inventory was recognized as an expense (\$104,975 for the year ended August 31, 2018).

6. PREPAIDS

The Company's prepaid expenses consist of the following:

	February 28 2019	August 31 2018
Prepaid inventory	1,048,252	-
Prepaid lease deposits	1,931,119	548,663
Other deposits	1,922,162	118,044
	<u>4,901,533</u>	<u>666,707</u>

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Furniture And Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvement	Total
<u>Cost:</u>						
At August 31, 2017	124,585	68,797	14,233	64,368	946,190	1,218,173
Additions	48,164	178,000	-	-	1,283,595	1,509,759
Disposals	-	-	-	-	(91,026)	(91,026)
Impairment (i)	-	-	-	-	(218,421)	(218,421)
At August 31, 2018	172,749	246,797	14,233	64,368	1,920,338	2,418,485
Additions	703,041	1,647,269	-	184,035	7,342,361	9,876,706
Additions from business combination	23,893	585,007	-	38,222	1,473,650	2,120,772
At February 28, 2019	899,683	2,479,073	14,233	286,625	10,736,347	14,415,961
<u>Accumulated Amortization</u>						
At August 31, 2017	30,190	28,074	10,453	13,894	317,910	400,521
Amortization	27,765	31,376	3,780	12,874	286,651	362,446
Disposals	-	-	-	-	(75,937)	(75,937)
At August 31, 2018	57,955	59,450	14,233	26,768	528,625	687,031
Amortization	48,929	177,457	-	12,664	342,756	581,806
At February 28, 2019	106,884	236,907	14,233	39,432	871,380	1,268,836
<u>Carrying amounts:</u>						
At August 31, 2018	114,794	187,347	-	37,600	1,391,713	1,731,456
At February 28, 2019	792,799	2,242,166	-	247,193	9,864,967	13,147,125

(i) Impairment Loss

In 2018 the Company undertook a strategic shift with regards to its medical clinic operations, and pivoting operations into partnerships with existing pharmacies with the anticipation of pharmacies receiving a license to dispense cannabis medicines. NAC proactively started to develop a synergistic cannabis program to ensure that NAC could take advantage of this future channel. To further enhance this strategic shift, NAC acquired 51% of Cannabis Care Group in April 2018. Following acquisition, CCG changed its name to National Access Cannabis Medical Inc. ("NACM").

As a result of the strategic shift, an impairment test was performed on the CGU's related to the existing seven medical clinics the Company operates (Victoria, Calgary, Saskatoon, Winnipeg, Toronto, Ottawa and Halifax). In assessing if an impairment loss was required, the recoverable amount of each CGU was determined to be equal to its value in use. In estimating the value in use for each CGU, cash flow projections were prepared for a period of five years and discounted using a rate of 15%. Key assumptions that were used in the cash flow projections include using a growth rate of 2%; capitalization factor of 7.69 and applying a tax rate of 26.5%. The results of the cash flow projections indicated that the Victoria, Calgary, Saskatoon and Halifax clinic locations were impaired as their respective recoverable value exceeded the carrying value of the corresponding CGU. The resulting impairment that was recorded for each clinic was as follows: 1) Victoria – an impairment loss of \$125,000 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been allocated to the CGU; 2) Calgary – an impairment loss of \$102,332 was applied to the carrying value of goodwill; 3) Saskatoon – an impairment loss of \$13,366 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT (continued)

allocated to the CGU; and 4) Halifax - an impairment loss of \$80,055 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been allocated to the CGU.

The total impairment loss for leasehold improvements and goodwill of \$320,753 has been recorded under Impairment loss on the Consolidated Statements of Loss as at August 31, 2018.

8. INTANGIBLE ASSETS AND GOODWILL

	Total Goodwill	Service Contracts	Strategic Alliance (i)	Cannabis Licenses	Software Licenses	Total Intangible Assets
Cost:						
At August 31, 2017	1,516,271	-	-	-	100,000	100,000
Additions, (Note 12)	-	13,000,784	2,654,500	-	-	15,655,284
Disposals	-	-	-	-	(100,000)	(100,000)
Impairment (Note 7)	(102,332)	-	-	-	-	-
At August 31, 2018	1,413,939	13,000,784	2,654,500	-	-	15,655,284
Additions, (Note 12)	7,604,340	-	-	29,919,366	-	29,919,366
At February 28, 2019	9,018,279	13,000,784	2,654,500	29,919,366	-	45,574,650
Accumulated Amortization						
At August 31, 2017	-	-	-	-	100,000	100,000
Amortization	-	-	698,555	-	-	698,555
Disposals	-	-	-	-	(100,000)	(100,000)
At August 31, 2018	-	-	698,555	-	-	698,555
Amortization	-	-	838,266	-	-	838,266
At February, 2019	-	-	1,536,821	-	-	1,536,821
Carrying amounts:						
At August 31, 2018	1,413,939	13,000,784	1,955,945	-	-	14,956,729
At February 28, 2019	9,018,279	13,000,784	1,117,679	29,919,366	-	44,037,830

(i) Second Cup Strategic Alliance

On April 11, 2018, the Company entered into a strategic alliance with The Second Cup Ltd. ("Second Cup") to develop and operate a network of NAC branded recreational cannabis dispensaries initially across Western Canada, expanding to include additional provinces where legally permissible.

In consideration of Second Cup agreeing to enter into this strategic alliance, the Company issued warrants to purchase an aggregate of 5,000,000 common shares of the Company. The warrants have an exercise price of \$0.91 per common share and expire on April 11, 2023. The warrants were attributed a fair value of \$2,654,500 using the Black-Scholes option pricing model with the following assumptions: fair value of security of \$0.91; expected life of five years; \$Nil dividends; 70% volatility; and a risk-free interest rate of 1.60%.

The strategic alliance has been recognized as an Intangible Asset and is amortized over 19 months, the useful life in accordance with the terms of the agreement.

NATIONAL ACCESS CANNABIS CORP.

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9. DEBT FINANCING

On July 20, 2018, the Company entered into a \$25,000,000 loan agreement with Opaskwayak Cree Nation ("OCN"). The loan had a six-month term and carried an interest rate of 10% per annum. On November 23, 2018 the Company fully repaid the outstanding OCN loan. The sum of the payout was \$26,716,197 which included the 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.

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.

The warrants issued were valued at at \$186,732 using the Black-Scholes option pricing model and the following variables: exercise price of \$1.08; expected life of 3 years; \$Nil dividends, 74% volatility, and risk-free interest rate of 2.2%. The accreted interest was \$77,976 and recorded as accretion expense on the statement of comprehensive loss. Based on this calculation the liability component is valued at \$8,891,244 at February 28, 2019.

10. NOTE PAYABLE AND DUE TO SHAREHOLDERS

During the twelve months ended August 31, 2018, 2627639 Ontario Inc., a company controlled by a Director of the Company, and 2627786 Ontario Inc., a shareholder of the Company, each advanced a proportional share of \$115,000 in shareholder loans into NACM for a total of \$230,000. The shareholder loans are non-interest bearing and have no terms of repayment.

11. CONVERTIBLE DEBENTURE

On November 23, 2018, the Company completed a private placement offering of special warrants that entitle the holders to receive 8% senior secured convertible debentures of the Company upon 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. 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.

The Convertible Debentures 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 of the Company at a conversion price of \$1.08 per Common Share, subject to customary adjustment. The Convertible Debentures will mature on November 30, 2021.

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.

NATIONAL ACCESS CANNABIS CORP.

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11. CONVERTIBLE DEBENTURE (continued)

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 debenture was \$390,628 and accrued interest amounted to \$564,000.

12. ACQUISITIONS

(i) National Access Cannabis Medical Inc. ("NACM")

On April 9, 2018, the Company acquired 51% of the net assets in National Access Cannabis Medical Inc. ("NACM"), an entity with service agreements with 40 pharmacies in Canada providing solutions for medical cannabis patients.

The Company acquired 51% of the common shares of NACM for a total consideration of \$5,080,000 consisting of:

Consideration	
4,297,872 common shares	4,040,000
Contingent consideration	1,040,000
	<u>5,080,000</u>

The share purchase agreement provides that for a period of up to five years, the Vendors shall be entitled to receive up to \$6,080,000 of additional shares of the Company upon meeting certain milestones. The contingent consideration was recognized as a liability based on the estimated probability of occurrence over five years. To derive the value of the contingent consideration, the expected milestones were assessed probabilities by management.

The allocation of the consideration of the fair value of the net assets acquired at the date of acquisition is as follows:

Intangible Assets	9,960,784
Non-controlling interest	<u>(4,880,784)</u>
	<u>5,080,000</u>

The fair value of the contingent consideration is based on management's preliminary assessment at the date of acquisition and is subject to change. Refer to Note 19 for more detail.

(ii) NAC Bio Inc. ("NAC Bio")

On May 23, 2018, the Company invested \$1,000,000 into NAC Bio, a separate legal entity established to advance clinical research in the medical benefits of cannabis in the treatment of chronic disease and illness.

In connection with the closing, the Company invested an initial amount of \$400,000 and has contributed the remaining \$600,000 as at February 28, 2019. Upon closing, NAC held a 57.1% stake in NAC Bio. Accumulated Other Comprehensive Loss attributable to NAC's non-controlling equity interest in NAC Bio was \$428,571 as of August 31, 2018.

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12. ACQUISITIONS (continued)

(iii) Green Co

On May 25, 2018, the Company subscribed for a \$1,850,000 secured convertible debenture of The Green Company Ltd. ("NewLeaf"). The loan was extended to NewLeaf for the capital expenditure required to build out recreational cannabis retail stores in the province of Alberta. The loan bared an interest at 5.45% per annum and was due on or before May 25, 2020. On August 22, 2018, the Company elected to convert the Convertible Debenture into common shares of NewLeaf. As a result of the transaction, the Company held a 9.9% equity interest of NewLeaf's outstanding common shares as at August 31, 2018.

On September 10, 2018, the Company exercised an option to acquire all of the shares of New Leaf not already owned by the Company for \$23,582,000 shares in escrow and \$5,895,500 cash pursuant to the terms of an option agreement between the Company, New Leaf and all of the shareholders of NewLeaf.

The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business.

Management is in the process of gathering the relevant information that existed as at the acquisition date to determine the fair value of net identifiable assets acquired. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. Management continues to work on finalizing the purchase price allocation to the fair value of identified assets and the allocation to intangible assets. The following table summarizes the fair value of the net assets acquired.

Fair value of NAC shares (23,582,000 at \$1.00 per share)	23,582,000
Cash consideration	5,895,500
Fair value of NAC 9.9% equity interest in New Leaf	1,850,000
<u>Total Consideration</u>	<u>31,327,500</u>

Net assets acquired include:	
Cash and cash equivalents	936,729
Prepaid expenses	625,552
Other current assets	108,185
Property, plant and equipment	2,120,772
Intangible Assets	29,919,366
Goodwill	7,604,340
Trade and other payables	(633,105)
Loan payable	(1,750,000)
Deferred tax liability	(7,604,340)
<u>Total net assets acquired</u>	<u>31,327,500</u>

(iv) NAC Alberta Inc.

On November 30, 2018, the Company acquired all of NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership for the forgiveness of \$192,702 of debt and the issuance of 2,173,913 common shares of NAC at a price of \$0.69 per NAC common share (the "Acquisition").

As a result of the transaction, the Company acquired an additional 49% interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership, and now owns 100% of both entities. The acquisition did not result in a change of control and therefore the transaction has been accounted for as an equity transaction with non-controlling interest, resulting in the following:

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12. ACQUISITIONS (continued)

Consideration paid	1,500,000
Items recognized directly in retained earnings:	
Adjusted partnership debt	(218,191)
Net assets attributable to non-controlling interest	266,417
<u>Decrease in equity attributable to shareholders of National Access Cannabis</u>	<u>1,548,226</u>

13. EQUITY INSTRUMENTS

(a) **Share Capital**

Authorized:

The authorized capital stock of the Company consists of an unlimited number of common shares.

	Number of shares	Amounts
Balance, September 1, 2017	115,974,163	15,311,030
Conversion of options (i)	1,821,892	351,902
Conversion of warrants (ii)	1,187,882	238,463
Private Placement (iii)	10,909,091	6,000,000
Share Based compensation (iv)	(50,000)	(6,250)
Share issuance costs	-	(154,724)
Transaction costs	-	(276,861)
Balance, February 28, 2018	129,843,028	21,463,560
Conversion of options (i)	1,255,220	162,748
Conversion of warrants (ii)	304,138	189,914
Acquisition – National Access Cannabis Medical Inc. (v)	4,297,872	4,040,000
Share issuance costs	-	(6,939)
Transaction costs	-	(54,288)
Balance, August 31, 2018	135,700,258	25,794,995
Conversion of options (vi)	1,625,000	243,750
Conversion of warrants (vii)	1,775	1,598
Private Placement (viii)	21,978,020	20,000,000
Acquisition – The Green Company Ltd. (ix)	23,582,000	23,582,000
Acquisition – NAC Northern Alberta LP (x)	2,173,913	1,500,000
Acquisition – New Leaf Emporium (xi)	649,880	400,000
Share issuance costs	-	(9,954)
Transaction costs	-	(514,272)
Balance, February 28, 2019	185,710,846	70,998,116

(i) During the twelve months ended August 31, 2018, a total of 3,077,112 options were exercised at a weighted average exercise price of \$0.17.

(ii) During the twelve months ended August 31, 2018, a total of 1,492,020 warrants were exercised at a weighted average exercise price of \$0.29.

(iii) On January 19, 2018, the Company completed a non-brokered private placement pursuant to which it issued 10,909,091 units of the Company for aggregate gross proceeds of \$6,000,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share at a price of \$0.90 per warrants share, subject to adjustment in certain events, for a period of 24 months following the closing date. In connection with the closing of the private placement, the Company paid the Agents a cash commission of \$194,346 and issued Agent warrants exercisable to acquire 353,356 shares at an exercise price of \$0.90

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Notes to the Condensed Interim Consolidated Financial Statements

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13. EQUITY INSTRUMENTS (continued)

per share exercisable until January 30, 2020. The warrants were valued at \$136,798 using the Black-Scholes option pricing model and the following variables: stock price of \$0.95; expected life of two years; \$Nil dividends; 71% volatility; and risk-free interest rate of 1.04%.

(iv) On February 8, 2018 50,000 performance shares were cancelled.

(v) On April 9, 2018, the Company acquired a 51% ownership interest in National Access Cannabis Medical Inc. ("NACM"), an entity that has established service agreements with over 40 pharmacies in Canada that provide turnkey cannabis program solutions for medical cannabis patients. The acquisition was completed pursuant to a share purchase agreement entered into between NAC, 2627639 Ontario Inc. and 2627786 Ontario Inc, pursuant to which the Company acquired 51% of NACM for an aggregate purchase price of \$4,040,000 payable to the vendors through the issuance of 4,297,872 common shares in the capital of the Company at a price of \$0.94 per share.

(vi) During the six months ended February 28, 2019 1,625,000 options were exercised at a weighted average exercise price of \$0.15.

(vii) During the six months ended February 28, 2019 1,775 warrants were exercised at a weighted average exercise price of \$0.90.

(viii) On October 26, 2018, the Company closed the first tranche of a private placement of 21,978,022 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.

(ix) On September 11, 2018, the Company executed an option amending agreement pursuant to which the Company acquired all of the remaining issued and outstanding shares of NewLeaf not already owned by NAC, for total consideration of 23,582,000 Common Shares and \$5,895,500 cash (the "NewLeaf Consideration"), all of which were issued into escrow pending NewLeaf achieving certain post-closing milestones. The NewLeaf Consideration will be released from escrow as NewLeaf opens cannabis retail locations in Alberta. If certain milestones are not met within a defined timeline, proportionate amounts of the NewLeaf Consideration will be returned to NAC.

(x) On November 30, 2018, the Company acquired all of NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership for the forgiveness of \$192,702 of debt and the issuance of 2,173,913 Common Shares at a price of \$0.69 per Common Share (the "Acquisition"). The Acquisition gives NAC 100% ownership in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership.

(xi) 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. 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

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13. EQUITY INSTRUMENTS (continued)

\$1.2 million and the issuance of 649,880 common shares of the Company, 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. The Purchase Price and New Leaf Emporium Shares have been placed into escrow and will be released to the respective parties upon the Saskatchewan Liquor and Gaming Authority providing NAC with approval to operate the New Leaf Emporium premises in Moose Jaw, Saskatchewan, following which NAC Prairies will own all of the issued and outstanding shares of New Leaf Emporium.

(b) Warrants

	February 28, 2019		August 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of the period	10,755,937	\$ 0.90	1,440,050	\$ 0.17
Expired during the period	-	-	-	-
Issued during the period	1,860,000	0.70	10,807,908	0.90
Exercised during the period	(1,775)	0.90	(1,492,021)	0.29
Outstanding, end of the period	12,614,162	0.89	10,755,937	0.90

The following table summarizes the warrants that remain outstanding as at February 28, 2019:

Exercise Price	Warrants	Expiry Date
\$	#	
0.25	133,687	July 10, 2019
0.70	960,000	August 1, 2019
0.90	5,620,475	January 30, 2020
0.91	5,000,000	April 11, 2023
1.08	900,000	December 21, 2021
	12,614,162	

14. STOCK OPTION PLAN

The 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. 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 period ending February 28, 2019 (August 31, 2018 – 3,360,000). The employee compensation expense related to options vested for the period ended February 28, 2019 is \$671,171 (August 31, 2018 - \$823,148). The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan. A summary of the status of the Company's issued and outstanding stock options as of February 28, 2019 and August 31, 2018, and changes during the years ended on those dates, is presented below:

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14. STOCK OPTION PLAN (continued)

	February 28, 2019		August 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	8,151,892	0.39	8,269,004	0.15
Net granted	2,310,000	0.72	3,360,000	0.71
Exercised	(1,625,000)	0.15	(3,077,112)	0.17
Forfeited	(125,000)	0.99	-	-
Cancelled	-	-	(400,000)	0.25
Outstanding, end of period	8,711,892	0.51	8,151,892	0.39

The following table summarizes information about stock options as at February 28, 2019:

Exercise price	Number outstanding at February 28, 2019	Weighted average remaining contractual life (years)	Number exercisable at February 28, 2019	Weighted average remaining contractual life (years)
\$	#		#	
0.083	66,892	7.1	66,892	7.1
0.15	2,600,000	0.5	2,600,000	0.5
0.25	1,090,000	3.8	1,090,000	3.8
0.51	250,000	3.8	250,000	3.8
0.55	160,000	3.9	160,000	3.9
0.60	120,000	4.8	-	-
0.61	195,000	4.8	30,000	4.9
0.67	75,000	4.3	45,000	4.3
0.70	1,645,000	4.0	137,078	4.0
0.85	1,435,000	4.0	1,435,000	4.0
0.86	600,000	4.2	450,000	4.2
0.91	350,000	5.0	87,500	5.0
0.99	25,000	4.1	22,913	4.1
1.04	100,000	4.1	100,000	4.1
0.51	8,711,892	3.0	6,474,383	3.0

The weighted average exercise price was \$0.51 as at February 28, 2019 (August 31, 2018 - \$0.39) for exercisable options. For the six months ended February 28, 2019, the Company recorded \$671,171 (February 28, 2018 - \$113,686) in stock-based compensation expense related to employee options, which are measured at fair value at the date of grant and are expensed over the vesting period. In determining the amount of stock-based compensation, the Company used the Black-Scholes option pricing method to establish the fair value of options granted by applying the following assumptions:

	February 28, 2019	February 28, 2018
Risk-free interest rate	1.55%-2.20%	0.87% - 1.60%
Expected life of options (years)	3-5	3-5
Expected annualized volatility	70%-74%	70%-71%
Expected dividend yield	Nil	Nil

The underlying expected volatility was determined using volatility rates for companies in similar industries with similar useful lives of the options.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****15. SEGMENTED INFORMATION**

Throughout the period ended February 28, 2019, the Company operated in three segments;

- i) 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 by providing such patients with the opportunity to access qualified health care practitioners and independent medical cannabis evaluations and advice.
- ii) Research - NAC Bio Inc. 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.
- iii) Retail Cannabis Stores – The Company operates retail locations to sell and distribute and cannabis related products under its recreational cannabis brands META and NewLeaf Cannabis Corp.

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

Operating segments

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	273,105	4,956,711	-	-	5,229,816
Operating expenses	598,928	4,965,013	168,302	4,011,736	9,743,979
Other expenses	-	-	-	1,133,591	1,133,591
Net income/(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	676,663	6,001,074	-	-	6,677,737
Operating expenses	1,197,253	7,324,560	304,460	7,981,497	16,807,770
Other expenses	-	-	-	3,393,872	3,393,872
Net income/(loss)	(520,590)	(1,323,486)	(304,460)	(11,375,369)	(13,523,905)

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****16. CONSULTATION FEES**

Consultation fees are fees charged to the Company by physicians for patient consultation services. If a consultation with a 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. The physician services help drive commission revenue from licensed producers. The Company incurred \$125,051 in Consultation fees for the period ended February 28, 2019 (February 28, 2018 - \$250,714).

17. FINANCE AND OTHER COSTS

	February 28, 2019	February 28, 2018
Accretion expense	468,604	-
Interest on convertible debenture	564,000	-
Interest on short-term debt	718,411	-
Commitment fee	1,642,857	-
Total Finance and other costs	<u>3,393,872</u>	<u>-</u>

18. LOSS PER SHARE

The calculation of basic and diluted loss per share for the relevant periods is based on the following information:

	February 28 2019	February 28 2018
Basic earnings (loss) per share		
Total comprehensive loss attributable to shareholders of National Access Cannabis Corp	(13,122,069)	(2,657,178)
Weighted average number of common shares outstanding	174,574,102	118,565,678
Total comprehensive loss per common share, basic	<u>(0.08)</u>	<u>(0.02)</u>
Diluted earnings (loss) per share		
Total comprehensive loss attributable to shareholders of National Access Cannabis Corp	(13,122,069)	(2,657,178)
Weighted average number of common shares outstanding	174,574,102	118,565,678
Effect of dilutive stock	-	-
Weighted average number of common shares outstanding assuming dilution	174,574,102	118,565,678
Total comprehensive income (loss) per common share, diluted	<u>(0.08)</u>	<u>(0.02)</u>

The treasury stock method is used to calculate loss per share and under this method stock options and warrants that are anti-dilutive are excluded from the calculation of diluted loss per share. For the period ended February 28, 2019 and February 28, 2018, all outstanding options and warrants were considered anti-dilutive because the Company recorded a loss over those periods. The outstanding stock options and warrants that could dilute basic net loss per share in future periods but were not included in determining diluted net loss per share for the period ending February 28, 2019 and February 28, 2018 because they are antidilutive are as follows:

	2019	2018
Stock options	8,711,892	8,482,112
Warrants	12,614,162	6,060,076
	<u>21,326,054</u>	<u>14,542,188</u>

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19. COMMITMENTS AND CONTINGENCIES

The Company has entered into various lease agreements having terms of 27 to 60 months. These lease agreements expire between March 31, 2019 and June 15, 2028.

As at February 28, 2019, the minimum annual lease payments are expected to be as follows:

2019	1,970,150
2020	3,672,056
2021	3,509,655
2022	3,516,165
2023 and there after	4,559,799
	<u>17,227,825</u>

In connection with the purchase of National Access Cannabis Medical Inc, the Company has agreed to issue up to \$6,080,000 of additional shares to the Vendors, which are contingent upon meeting certain milestones. The contingent consideration was recognized as a liability based on the estimated probability of occurrence over five years. To derive the value of the contingent consideration, the expected milestones were assessed probabilities by management. A provision of \$4,080,000 has been recorded as management considers the first three milestones to be probable.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors, was as follows for the period:

	Six months ended February 28	
	2019	2018
Salaries	694,769	372,577
Directors' fees	-	-
Share-based compensation	594,034	75,801
<u>Total Key Management Compensation</u>	<u>1,288,804</u>	<u>448,378</u>

Salaries include cash payments for base salaries and bonuses. Directors' fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the period for key management personnel. There was \$594,034 of share-based compensation granted to key management personnel for the period ended February 28, 2019 (February 28, 2018 - \$75,801).

21. RELATED PARTY TRANSACTIONS

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 the Opaskwayak Cree Nation ("OCN"). On July 20, 2018, the Company entered into a \$25,000,000 loan agreement with OCN. The 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.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****21. RELATED PARTY TRANSACTIONS (continued)**

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.

22. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

		As at February 28 2019	As at August 31, 2018
Financial assets:			
FVTPL			
	Cash	13,685,723	23,496,232
	Investments	49,078	1,869,729
Loans and receivables			
	Trade and other receivables	1,714,807	882,461
	Loan receivables	-	1,750,000
Total financial assets		15,499,608	27,998,422
Financial liabilities:			
Financial liabilities at amortized cost			
	Trade and other payables	2,702,446	1,360,067
Total financial liabilities		2,702,446	1,360,067

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risk, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Market risk**a) Currency risk**

The Company does not operate outside of Canada and therefore there is no inherent Currency risk.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS (continued)

b) Interest rate risk

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

c) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company does not hold any marketable securities or investments and therefore is exposed to a limited price fair value risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

Credit Risk

Credit risk arises from cash held with banks and trade and other receivables. The Company does not have a significant concentration of risk with any customer and its maximum risk exposure is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent loss on financial assets. The Company minimizes credit risk as cash is held by reputable financial institutions. The Company is not aware of any material collection issues.

23. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, treasury shares, equity-settled employee benefits reserve, deficit, and accumulated other comprehensive loss. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the period ended February 28, 2019.

25. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the methods of presentation adopted in the current year.

NATIONAL ACCESS CANNABIS CORP.

Schedule

Three and six months ended February 28, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

	Three months ended February 28		Six months ended February 28	
	2019	2018	2019	2018
General and administrative expenses				
Business taxes and licenses	47,631	-	91,127	85
Computer and technology expenses	244,822	11,516	419,954	29,723
Insurance	82,739	2,635	136,846	25,572
Interest and service charges	151,029	1,822	192,756	6,450
Office and store supplies	439,296	32,485	701,732	70,887
Professional fees	740,149	377,239	2,144,851	563,357
Consulting fees	652,992	306,851	1,326,444	681,192
Rental	1,686,148	118,868	2,729,755	249,052
Repairs and maintenance	17,430	-	52,699	-
Salaries and benefits	3,981,721	587,724	5,947,710	1,096,480
Security	76,249	-	106,025	-
Travel and entertainment	104,344	78,490	273,648	175,449
Utilities	175,094	5,669	240,706	12,152
	8,399,644	1,523,299	14,364,254	2,910,399