National Access Cannabis Corp.
Interim Management Discussion and Analysis
Quarterly Highlights
For the three month period ended November 30, 2018

The following discussion of National Access Cannabis Corp.'s (the "**Company**") 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 month period ended November 30, 2018 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**"). All dollar amounts referred to in this interim management discussion and analysis - quarterly highlights ("**MD&A**") are in Canadian dollars. 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 January 28, 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 registered and records office of the Company is located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3. 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

Through its Canada-wide network of care centres, pharmacies, NAC Bio Inc.'s ("**NAC Bio**") clinical research division and the Green Company Ltd.'s ("**NewLeaf**") and META Cannabis Supply Co.'s™ ("**META**") recreational cannabis retail stores, NAC enables patients and the public to gain knowledge and access to Canada's network of authorized Licensed Producers of cannabis.

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, before expanding to include Ontario once legally permissible. Currently, the provinces of British Columbia, Alberta, Saskatchewan and Manitoba are permitting privately run cannabis retail locations to operate within their respective provinces.

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 location 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	The Company has applied for five 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

Province	Regulatory Framework	NAC’s Retail Activities	Required Authorizations
	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.		
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 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.	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
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 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	The Company is currently operating four licensed retail cannabis stores and an additional four licensed retail cannabis stores through partnerships with Manitoba First Nations. The Company plans to open and operate six additional retail cannabis stores in 2019.	Retailer Agreement required per location signed between Proponent and Manitoba Growth, Enterprise and Trade. Occupancy permit required

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	locations may be operated through partnerships with Manitoba First Nations groups.		
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 remain the sole source of adult use cannabis in Ontario until April 1, 2019. 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 restricting licensing to 25 applicants who were selected in a lottery process.	The Company participated in the initial lottery but was not one of the 25 successful applicants.	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 is set for 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 32 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 to from a particular 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 four additional corporate stores. Subject to the availability of reliable cannabis supply, the Company plans to open a further six corporate retail cannabis stores within the first half 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 anticipates hiring indigenous members of the First Nation partners to staff each store location.

British Columbia

As of the date hereof, NAC has submitted five 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 three more retail cannabis licenses 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, Manitoba and Nova Scotia, for a total of seven 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 seven clinics, the Company employs a total of 19 cannabis care professionals, including: five Cannabinoid Therapy Educators, 10 Cannabinoid Therapy Assistants and four clinic managers or medical office assistants. In addition, to support its seven medical clinics, the Company maintains affiliate relationships with four nurse practitioners and nine physicians across the provinces of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia.

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 over twenty 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 gives rise to conflict of interest issues 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 to maintain medical 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 144 pharmacies. 125 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.

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							
	Feb 28, 2017	May 31, 2017	Aug 31, 2017	Nov 30, 2017	Feb 28, 2018	May 31, 2018	Aug 31, 2018	Nov 30, 2018
Revenue	249,654	363,581	401,630	437,352	475,412	529,274	514,476	3,787,228
Net Loss	(787,088)	(1,615,884)	(4,691,375)	(1,344,068)	(1,313,110)	(2,324,505)	(4,236,837)	(7,876,151)
Net Loss Per Share - Basic	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)	(0.04)
Net Loss Per Share - Diluted	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)	(0.04)

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 17 retail locations as at November 30, 2018. Revenue has increased significantly for the three months ended November 30, 2018 due to the opening of cannabis retail locations in Manitoba and Alberta. As of the date hereof, the Company has a total of 22 retail locations in operation.

Results of Operations

$	Three months ended	
	30-Nov-18	**30-Nov-17**
Total revenue	$3,787,228	$437,352
Cost of goods sold	(2,339,307)	(176,416)
Gross margin	1,447,921	260,936
Office and general administrative expenses	(5,964,610)	(1,387,099)
Sales and marketing expenses	(258,490)	(36,135)
Amortization	(542,984)	(89,409)
Share based compensation	(297,707)	(92,362)
Loss from operations	(5,615,870)	(1,344,068)
Accretion expense	(48,931)	-
Interest on short-term debt	(568,493)	-
Commitment fee	(1,642,857)	-
Net comprehensive loss	(7,876,151)	(1,344,068)
Loss per share - basic and diluted	(0.04)	(0.01)
Deficit, at end of period	(27,683,843)	(10,907,561)

The net comprehensive loss for the three months ended November 30, 2018 was $7,876,151 or $0.04 per share versus a net comprehensive loss of $1,344,068 or $0.01 per share for the period ended November 30, 2017. 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 in preparation to commence operations at cannabis retail locations in Alberta and Manitoba.

Some of the significant changes are as follows:

- 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. During the period ended November 30, 2018, 35% of the Company's office and general administrative expenses were incurred by NewLeaf operations.

- Salaries and benefits during the three months ended November 30, 2018 were $1,952,105 compared to the three months ended November 30, 2017 of $508,756. The significant increase from the previous year has been due to the expansion of operations. The Company had 288 full-time equivalents ("**FTE's**") and as of November 30, 2018 versus 42 FTE's as of November 30, 2017. Staffing has increased significantly due to the opening of 17 retail locations as of November 30, 2018 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 months ended November 30, 2018 were $2,078,154 compared to the three months ended November 30, 2017 of $560,458. As a result of acquisition and expansion initiatives and developing new business opportunities and partnerships, the Company incurred significantly higher legal and consultant fees.

- Rental expenses during the three months ended November 30, 2018 were $1,043,608 compared to the three months ended November 30, 2017 of $130,124. The significant increase from the previous year has been due to the operation of 17 retail locations in Alberta and Manitoba as of November 30, 2018 along with additional rental expenses for leases entered into for additional retail locations to support further expansion throughout Canada.

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 becoming a leader 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 November 30, 2018 was $3,787,228 versus $437,352 in the same period in the prior year. Revenue growth is attributable to newly opened retail locations in the first quarter in Alberta and Manitoba. The Company had 17 retail locations in operation as of November 30, 2018 resulting in total revenue of $3,292,347 from retail operations. Four locations were operational in the month of October, with one location opening on October 17 and three locations opening on October 28. During the month of November, 13 additional locations opened on various dates throughout the month.

Commissions from Licensed Producers for the three months ended November 30, 2018 was $425,139 versus $374,222 in the same period in the prior year.

Gross Profit

Gross Profit for the three months ended November 30, 2018 was $1,447,921 versus $260,936 in the same period in the prior year. 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 32% gross margin on retail cannabis products including merchandise and accessory sales to date.

Expenses

Office, General and Administrative Expenses

	Three months ended			
$	**30-Nov-18**	**%**	**30-Nov-17**	**%**
Professional fees	1,404,702	24%	186,118	13%
Consulting fees	673,453	11%	374,340	27%
Salaries & benefits	1,952,105	33%	508,756	37%
Travel	169,304	3%	96,959	7%
Rent & utilities	1,109,219	19%	136,607	10%
Office expenses	262,436	4%	38,461	3%
Computer and technology	175,132	3%	18,208	1%
Interest & bank charges	41,728	1%	4,628	0%
Other	176,531	3%	23,022	2%
Total	5,964,610	100%	1,387,099	100%

General and Administrative Expenses for the three months ended November 30, 2018 was $5,964,610 versus $1,387,099 in the same period in the prior year.

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 months ended November 30, 2018 were $1,404,702 compared to the three months ended November 30, 2017 of $186,118. These fees were incurred due 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 months ended November 30, 2018 were $673,453 compared to the three months ended November 30, 2017 of $374,340. These fees were incurred with the expansion of new corporate locations and the pursuit of other business opportunities in the cannabis industry.

Salaries and benefits during the three months ended November 30, 2018 were $1,952,105 compared to the three months ended November 30, 2017 of $508,756. 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 employed 288 FTEs as of November 30, 2018 versus 42 FTEs as of November 30, 2017.

Rent and utilities during the three months ended November 30, 2018 were $1,109,219 compared to the three months ended November 30, 2017 of $136,607. The significant increase from the previous year has been due to the opening of 17 retail locations in Alberta and Manitoba as of November 30, 2018 along with additional rental expenses for leases entered into to support further expansion throughout Canada.

Office expenses and computer technology expenses during the three months ended November 30, 2018 were $437,568 compared to the three months ended November 30, 2017 of $56,669. 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 75,000 issued for the period ended November 30, 2018. The employee compensation expense related to options vested for the period ended November 30, 2018 is $297,707 (November 30, 2017 - $92,362).

The number of options outstanding at November 30, 2018 amounts to 8,101,892 at a weighted average exercise price of $0.39. The Company may issue up to 10% of the issued and outstanding Common Shares under its stock option plan.

Operating Segments

Throughout the period ended November 30, 2018, 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 by 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 November 30, 2018, 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 November 30, 2018	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Revenue	494,881	3,292,347	-	-	3,787,228
Cost of goods sold	(91,322)	(2,247,985)	-	-	2,339,307
Gross margin	391,058	1,044,363	-	-	1,447,921
Operating expenses	(598,325)	(2,359,547)	(136,158)	(3,969,761)	(7,063,791)
Other expenses	-	-	-	(2,260,281)	(2,260,281)
Net income/(loss)	(207,267)	(1,315,185)	(136,158)	(6,230,041)	(7,876,151)

Adjusted EBITDA

$	Three Months Ended	
	30-Nov-18	30-Nov-17
Net loss and comprehensive loss for the year/period	(7,876,151)	(1,344,069)
Interest on short-term debt	568,493	-
Commitment fee	1,642,857	-
Accretion expense	48,931	-
Amortization of property and equipment	123,851	89,409
Amortization of intangible assets	419,133	-
Share based compensation	297,707	92,362
Adjusted EBITDA	(4,775,179)	(1,162,298)

Management defines Adjusted EBITDA as the net loss from operations, as reported, before interest, tax, and adjusted by removing non-cash items, including the stock-based compensation expense, depreciation, and further adjusted to remove acquisition related costs. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash items and acquisition related costs. Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning under the issuer's GAAP and therefore may not be comparable to similar measures presented by other issuers.

Balance Sheet

$	As at		
	30-Nov-18	31-Aug-18	30-Nov-17
Total assets	86,514,731	46,818,315	5,912,463
Total liabilities	31,334,286	30,726,860	714,415
Share capital	70,508,593	25,794,995	15,436,254
Warrants	2,952,235	2,952,235	160,937
Equity portion convertible debentures	3,235,645	-	-
Contributed surplus	1,543,162	1,245,455	508,419
Accumulated other comprehensive loss	(428,571)	(428,571)	-
Non-controlling interest	5,053,225	4,956,331	-
Deficit, at end of period	(27,683,843)	(18,428,990)	(10,907,561)

Total Assets

Total assets of the Company were $86,514,731 on November 30, 2018 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 NewLeaf during the period. 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 three months ended November 30, 2018.

Total Liabilities

Total liabilities increased to $31,334,286 at November 30, 2018 versus $30,726,860 on August 31, 2018 primarily due to the repayment of a $25,000,000 loan (the "**OCN Loan**") with Opaskwayak Cree Nation ("**OCN**") on November 23, 2018. The OCN Loan had a six-month term and carried an interest rate of 10% per annum. The Company received a total of $25,000,000 in accordance with the loan agreement. 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.

This was offset by 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 wither 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).

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		
	30-Nov-18	**31-Aug-18**	**30-Nov-17**
Common Shares	183,560,966	135,700,258	116,915,804
Warrants	10,754,162	10,755,937	815,301
Options	8,101,892	8,151,892	8,542,112

Liquidity and Capital Resources

The unaudited condensed interim consolidated financial statements for the three months ended November 30, 2018 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). Please also refer to Note 19 of the accompanying unaudited condensed interim consolidated financial statements for the three months ended November 30, 2018.

The Company has incurred losses since incorporation and as of November 30, 2018 had an accumulated deficit of $27,683,843 (November 30, 2017: $10,907,561). 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.

The Company has sufficient cash on hand to continue with the current day to day operations up to the second quarter of fiscal year 2020. The Company also expects to have a working capital deficiency then but plans to generate sufficient amounts of cash and cash equivalents in the short and long term to maintain the Company's capacity and meet obligations as they become due, by reviewing all options including partnership agreements, debt, and equity financing.

In the longer term, the Company's ability to maintain capacity and 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 three months ended November 30, 2018, the Company generated $39,876,429 in cash from financing activities versus a deficiency of $189,775 for the three months ending November 30, 2017.

On October 26, 2018, the Company closed the first tranche of a private placement offering (the "**LP Financing**") 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.

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 three months ended November 30, 2018, the Company allocated $35,666,819 in cash to investing activities versus $32,848 for the three months ended November 30, 2017.

On November 23, 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.

Capital additions for the three months ended November 30, 2018 amounted to $5,997,524 (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 $21,373,794 on November 30, 2018 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 decreased to $23,264,510 at November 30, 2018 from $25,096,462 at November 30, 2017 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 $1,990,720 at November 30, 2018 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

$	30-Nov-18	30-Nov-17
Net loss for period	(7,876,151)	(1,344,068)
Add charges to operations not requiring current cash payment	1,305,304	180,829
Changes in non-cash working capital balances related to operations	(6,714,634)	(582,392)
Cash used in operating activities	(13,285,481)	(1,745,630)

Cash used in operating activities amounted to $13,285,481 for the three months ended November 30, 2018 compared to $1,745,630 for the same period in 2017.

Changes in non-cash working capital balances related to operations were $6,714,634 for the three months ended November 30, 2018, compared to a $582,392 for the three months ended November 30, 2017, 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

Related parties include the Company's key management personnel, independent directors and shareholders. Transactions with related parties were conducted in the normal course of operations and are measured at fair value, which is the amount of consideration established and approved by the related parties.

Obsidian Consulting and Investigations Inc., a company controlled by Derek Ogden, the former President of the Company, had been contracted to provide consulting services to the Company. During the three months ended November 30, 2018, the Company's expenses included $31,250 (2017 - $37,500) related to these services. This contract was cancelled effective November 14, 2018.

Rocco Meliambro, a director of the Company, has been engaged to provide consulting services to the Company. During the three months ended November 30, 2018, the Company's expenses included $30,000 (2017 - nil) related to these services.

A Director of the Company, Christian Sinclair, is Chief of OCN and on July 20, 2018, the Company entered into the OCN Loan with OCN. On November 22, 2018, the Company fully repaid the outstanding OCN Loan.

On December 14, 2018, the Company entered into a new loan agreement with OCN pursuant to which OCN will lend $9,000,000 to the Company. 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 three months ended November 30, 2018 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.

Major Operating Milestones

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.

On October 22, 2018, the Company announced the signing of pharmacy cannabis program agreements with 70 pharmacies in Canada that will be participating in the NACM Medical Cannabis Management System, bringing the total number of pharmacies to 115.

On October 26, 2018, the Company closed the first tranche of the LP Financing for total proceeds of $20 million. The closing was the first of three tranches. The second tranche will occur if NAC is granted approval for an aggregate of 50 cannabis retail locations from the applicable regulatory authorities in the provinces of Canada before October 26, 2019. NAC may deliver a written notice to each of the LPs (the "**First Milestone Notice**") requiring each LP to purchase and subscribe for $5,000,000 of additional Common Shares at a price per Common Share equal to the 15 day volume weighted average trading price of the Common Shares on the TSXV for the last 15 trading days of the calendar month immediately preceding the date of the First Milestone Notice, or if such trading price is lower than the maximum permitted discount for the second tranche of the LP Financing, the maximum permitted discount for the issuance of the Common Shares under TSXV policies. The third tranche will occur if NAC is granted approval for an aggregate of 100 cannabis retail locations from the applicable regulatory authorities in the provinces of Canada before October 26, 2020. NAC may deliver a written notice to three of the four LPs (excepting VIVO Cannabis Inc.) (the "**Second Milestone Notice**") requiring such LPs to purchase and subscribe for $5,000,000 of additional Common Shares at a price per Common Share equal to the 15 day volume weighted average trading price of the Common Shares on the TSXV for the last 15 trading days of the calendar month immediately preceding the date of the Second Milestone Notice, or if such trading price is lower than the maximum permitted discount for the third tranche of the LP Financing, the maximum permitted discount for the issuance of the Common Shares under TSXV policies. For further information about the LP Financing see "*Analysis of the Company's Financial Performance and Condition – Financing Activities*" above.

On November 23, 2018 the Company completed the Special Warrant Financing for aggregate gross proceeds to the Company of $21,150,000. For further information about the Special Warrant Financing see "*Analysis of the Company's Financial Performance and Condition – Financing Activities*" above.

On November 23, 2018, the Company fully repaid the 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.

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 "**Northern AB Acquisition**"). The Northern AB Acquisition gives NAC 100% ownership in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership. The assets acquired include various leaseholds, rights to operate retail locations in Northern Alberta, and other fixed assets and equipment. The Company is in the process of assessing the fair value of the net assets acquired.

Subsequent Events

On December 14, 2018, the Company entered into a loan agreement with OCN pursuant to which OCN will lend $9,000,000 to the Company. 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 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 January 20, 2019 the Company provided investors with a corporate and retail sales update. The Company achieved $10.18 million in cumulative sales in just over 80 days of retail operation and $3.95 million in its first 50 days. The average gross margin achieved was over 32 per cent, with consumable cannabis making up 94.2 per cent of total sales. As of January 20, 2019 NAC is the largest private cannabis retail operator in the country with 22 retail locations and more than 300 employees.

On January 21, 2019, the Company issued 120,000 incentive stock options to an officer of the Company at an exercise price of $0.61 expiring on January 21, 2024. The options vest in 15,000 increments on a quarterly basis from April 21, 2019 to January 21, 2021.

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 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 three month period ended November 30, 2018.

The risks and uncertainties described Company's annual management 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.