

National Access Cannabis Corp.
Interim Management Discussion and Analysis
Quarterly Highlights
For the three and six-month period ended February 28, 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 and six-month period ended February 28, 2018 and the audited consolidated financial statements for the year ended August 31, 2017 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 content of this MD&A on April 23, 2018.

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 retail and clinic 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, 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 "Risk Factors" in the Company's annual management discussion and analysis for the year ended August 31, 2017 (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 18, 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 1111 Wellington Street West, Ottawa, Ontario, K1Y 2Y6. 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 “**NAC**”). The Qualifying Transaction was a reverse takeover of Brassneck by NAC. Following completion of the Qualifying Transaction, control of the Company, as resulting issuer, passed to the former securityholders of 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, as the resulting issuer, resumed trading on the TSXV under the new trading symbol “**NAC**”.

The consolidated financial statements of the combined entities (i.e. Brassneck and 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, National Access Clinic Corp. Since National Access Clinic Corp. 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.

Analysis of the Company’s Financial Performance and Condition

Selected Quarterly Financial Information

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

	Quarter Ended							
	May 31, 2016	Aug 31, 2016	Nov 30, 2016	Feb 28, 2017	May 31, 2017	Aug 31, 2017	Nov 30, 2017	Feb 28, 2018
Revenue	99,846	128,345	179,350	249,654	362,339	401,630	437,352	475,412
Net Loss	(339,850)	(532,447)	(607,943)	(787,088)	(1,638,513)	(4,691,375)	(1,344,068)	(1,313,110)
Net Loss Per Share - Basic	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)
Net Loss Per Share - Diluted	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)

The Company has incurred losses over the last eight quarters and anticipates continued losses as it implements initiatives to continue growing its business. The Company has added an additional eight clinic locations over the past fiscal year and now operates in ten locations as at February 28, 2018. Revenue has increased due to an increase in patients as a result of serving more locations across Canada.

The increase in losses has been primarily attributed to continued expansion of the Company's operations over the fiscal year ended August 31, 2017 and six months ending February 28, 2018. In addition, significant expenditures were incurred in connection with the Qualifying Transaction and for share-based compensation payment for key management personnel during the past four quarters.

Results of Operations

\$	Three months ended		Six months ended	
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
Total revenue	\$475,412	\$249,654	\$912,764	\$428,801
Cost of goods sold	(125,048)	(107,515)	(301,464)	(180,449)
Gross margin	350,364	142,139	611,300	248,352
Office and general administrative expenses	(1,523,299)	(739,027)	(2,910,398)	(1,254,514)
Sales and marketing expenses	(28,787)	(46,761)	(64,922)	(81,007)
Amortization	(90,064)	(101,587)	(179,472)	(171,856)
Share based compensation	(21,324)	(41,852)	(113,686)	(153,566)
Loss from operations	(1,313,110)	(787,088)	(2,657,178)	(1,412,591)
Net comprehensive loss	(1,313,110)	(787,088)	(2,657,178)	(1,412,591)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.03)
Deficit, at end of period	(12,220,671)	(3,251,165)	(12,220,671)	(3,251,165)

The net comprehensive loss for the six months ended February 28, 2018 was \$2,657,178 or \$0.02 per share versus a net comprehensive loss of \$1,412,591 or \$0.03 per share for the period ended February 28, 2017. The increase in loss for the period was primarily attributable to expenditures incurred for the continued expansion of the Company's operations.

Some of the significant changes are as follows:

- Salaries and benefits during the six months ended February 28, 2018 were \$1,096,480 compared to the six months ended February 28, 2017 of \$391,879. The significant increase from the previous year has been due to the expansion of operations. The Company had 38 full-time equivalent ("FTE's") and ten locations in operation as of February 28, 2018 versus 27 FTE's and four locations in operation as of February 28, 2017.

- Professional fees and Consulting fees during the six months ended February 28, 2018 were \$1,244,548 compared to the months ended February 28, 2017 of \$363,775. As a result of expansion initiatives, the Company incurred significantly higher legal and consultant fees.

The Company has incurred losses in recent periods and anticipates continued losses as it implements initiatives to continue growing its business in anticipation of changing Canadian regulations. 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, which management believes will ultimately serve to benefit the Company and its business going forward.

The Company remains focused on client member acquisition 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: (i) developing additional corporate locations; (ii) seeking acquisition opportunities; and (iii) providing additional services and activities related to the cannabis industry. The Company is currently planning the development of additional locations with partners in strategic regions and provinces throughout Canada. The Company intends to establish partnerships in areas where local and regional participation will provide mutually advantageous benefits that the Company would have difficulty achieving on its own. The Company will continue to explore partnerships that improve its brand and profitability. Future activities will require funding through additional equity financings, loans, or through the development of business partnerships.

Revenue

Revenue for the six months ended February 28, 2018 was \$912,764 versus \$428,801 in the same period in the prior year. Revenue growth is attributable to newly opened locations in fiscal year 2017, increased commissions from holders of licenses (“**Licensed Producers**”) issued under section 35 of the *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230 and the activities of four locations which the Company operates through Wilson Master Apps Inc., a wholly owned subsidiary of the Company acquired in December 2016. Total client membership has increased from 4,659 at February 28, 2017 to 13,074 at February 28, 2018. Revenues are expected to continue to increase as the Company acquires new client memberships at each of its ten active locations and continues to explore other business opportunities moving forward.

The Company previously earned a portion of its revenue from client membership and consultation fees charged to patients at some clinic locations. During the fourth quarter of fiscal year 2017, the Company made the decision not to charge for these services.

Gross Profit

Gross Profit for the six months ended February 28, 2018 was \$611,300 versus \$248,352 in the same period in the prior year. The increase is primarily attributed to the increase in commissions revenue from Licensed Producers which have no direct costs associated with this income source.

Expenses

Office, General and Administrative Expenses

	Three months ended				Six months ended			
	28-Feb-18	%	28-Feb-17	%	28-Feb-18	%	28-Feb-17	%
Professional fees	377,239	25%	110,228	15%	563,357	19%	139,469	11%
Consulting fees	306,851	20%	158,176	21%	681,192	23%	224,306	18%
Management fees	16,805	1%	27,796	4%	30,744	1%	96,391	8%
Salaries & benefits	587,724	39%	209,709	28%	1,096,480	38%	391,879	31%
Travel	61,685	4%	24,306	3%	144,705	5%	51,049	4%
Rent & utilities	124,537	8%	97,355	13%	261,204	9%	190,952	15%
Office expenses	40,530	3%	52,495	7%	90,859	3%	91,159	7%
Interest & bank charges	1,822	0%	50,789	7%	6,450	0%	54,388	4%
Other	6,106	0%	8,173	1%	35,408	1%	14,921	1%
Total	\$1,523,299	100%	\$739,027	100%	\$2,910,398	100%	\$1,254,514	100%

Expenses for the three months ended February 28, 2018 was \$1,523,299 versus \$739,027 in the same period in the prior year. Expenses for the six months ended February 28, 2018 were \$2,910,398 versus \$1,254,514 for the six months ended February 28, 2017.

The increase from comparable periods is due to the continued growth in corporate locations, hiring of additional managerial and administrative staff, and the development of stated business objectives. The Company anticipates that expenses will continue to increase as operations expand to new locations and as the Company acquires and integrates compatible businesses and technologies, while continuing to explore other business opportunities moving forward.

Legal and professional fees during the six months ended February 28, 2018 were \$563,357 compared to the six months ended February 28, 2017 of \$139,469. These fees were incurred due to legal and audit work required for general corporate matters, government, and investor relations due to Company expansion.

Consulting fees during the six months ended February 28, 2018 were \$681,192 compared to the six months ended February 28, 2017 of \$224,306. These fees were incurred due to patient acquisition costs, lobbying efforts at the Federal, Provincial, and Municipal levels, as well as other costs associated with the expansion of new corporate locations.

Management fees during the six months ended February 28, 2018 were \$30,744 compared to the six months ended February 28, 2017 of \$96,391. Management fees decreased due to the expiration of certain consultant agreements.

Salaries and benefits during the six months ended February 28, 2018 were \$1,096,480 compared to the six months ended February 28, 2017 of \$391,879. The notable increase is due to hiring of staff to support the Company's expanding network of locations and additions to the executive management team. The Company employed 38 FTEs as of February 28, 2018 versus 27 FTEs as of February 28, 2017.

Travel expenses during the six months ended February 28, 2018 were \$144,705 compared to the six months ended February 28, 2017 of \$51,049. Travel expenses also grew as management continued to seek potential business acquisitions and expansion opportunities.

Rent and utilities during the six months ended February 28, 2018 were \$261,204 compared to the six months ended February 28, 2017 of \$190,952. Lease payments have increased due to the addition of six new locations over the past year.

Share-Based Compensation Expenses

During the six months ended February 28, 2018, the Company recognized \$113,686 compared to \$153,566 for the six months ended February 28, 2017 in share-based compensation.

Share-based compensation was provided to executives, consultants, directors, and employees through the direct issuance of shares for services rendered or via the granting of stock options.

A total of 1,280,000 NAC Shares were issued directly to executives, consultants, directors, and employees during the three months ended February 28, 2017. Total expenses recognized for the issuance of the NAC Shares was \$120,247. For the six months ended February 28, 2018 there were no NAC Shares issued.

Expenses related to options issued during the six months ended February 28, 2018 was \$119,935 compared to \$153,566 during the comparable period in 2017. The number of options outstanding at February 28, 2018 amounts to 8,482,112 at a weighted average exercise price of \$0.30. The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan.

Adjusted EBITDA

\$	Three Months Ended		Six Months Ended	
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
Net loss and comprehensive loss for the year/period	(1,313,110)	(787,088)	(2,657,178)	(1,412,591)
Amortization of property and equipment	90,064	92,243	179,472	148,497
Amortization of intangible assets	-	9,344	-	23,359
Share based compensation	21,324	41,852	113,686	153,566
Adjusted EBITDA	(1,201,723)	(643,649)	(2,364,020)	(1,087,169)

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		
	28-Feb-18	31-Aug-17	28-Feb-17
Total assets	10,746,150	7,670,846	2,924,177
Total liabilities	669,534	1,346,315	1,157,741
Share capital	21,463,560	15,311,030	3,061,135
Warrants	297,735	160,937	1,770,526
Contributed surplus	535,992	416,057	185,940
Deficit, at end of period	(12,220,671)	(9,563,493)	(3,251,165)

Total Assets

Total assets of the Company were \$10,746,150 on February 28, 2018 versus \$7,670,846 on August 31, 2017. The increase in total assets is primarily due to an increase in cash due to the private placement financing in for \$6mm gross proceeds, that closed on July 30, 2018. This was offset by a reduction in cash due to the continued expansion of the Company's operations over the past six months ended February 28, 2018.

Total Liabilities

Total liabilities decreased to \$669,534 at February 28, 2018 versus \$1,346,315 on August 31, 2017 due to decreases in accounts payable and notes payable.

Total Share Capital

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

	As at		
	28-Feb-18	31-Aug-17	28-Feb-17
Common shares	129,843,028	115,974,163	56,292,870
Warrants	6,060,076	1,440,050	11,754,698
Options	8,482,112	8,269,004	5,375,000

Liquidity and Capital Resources

The unaudited condensed interim consolidated financial statements for the six months ended February 28, 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 "Risk Factors" in the Company's annual management discussion and analysis for the year ended August 31, 2017 (available on SEDAR at www.sedar.com). Please also refer to Note 17 of the accompanying unaudited condensed interim consolidated financial statements for the six months ended February 28, 2018.

The Company has incurred losses since incorporation and as at February 28, 2018 had an accumulated deficit of \$12,220,671 (February 28, 2017: \$3,251,165). 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. 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 Company has sufficient cash on hand to continue with the current day to day operations for the next twelve months. 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.

The Company plans to expand to retail locations to sell and distribute cannabis and cannabis related products, when and if it becomes legally permissible to do so. Expansion into recreational retail locations along with exploring other business opportunities may require additional financing with the timing largely dependent on when and if legalization occurs.

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 six months ended February 28, 2018, cash provided by financing activities was \$5,980,578 versus generating \$1,268,500 for the six months ending February 28, 2017.

On January 31, 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 entitles the holder to purchase one common share at a price of \$0.90 per 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 a finder's fee, consisting of a cash commission of \$194,346 and an aggregate of 353,356 finder's warrants. Each finder's warrant entitles the holder acquire one common share at an exercise price of \$0.90 per share for a period of 24 months following the closing

date. 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%

Investing Activities

For the six months ended February 28, 2018, the Company allocated \$71,944 in cash to investing activities versus \$367,311 for the six months ended February 28, 2017. Investment expenditures in the prior period were primarily for leasehold improvements, as well as furniture and equipment required for the new corporate locations which commenced operations in fiscal year 2017.

Working Capital

The Company had a working capital surplus of \$7,859,737 on February 28, 2018 versus a deficiency of \$720,492 as at February 28, 2017. Expenditures incurred for the rapid expansion of the Company over the last twelve months and costs associated with the Qualifying Transaction have been offset by cash inflows from financing activities throughout the year.

Current assets increased to \$8,519,757 at February 28, 2018 from \$423,320 at February 28, 2017 primarily as a result of an increase in cash and receivables.

Current liabilities decreased to \$660,021 at February 28, 2018 from \$1,143,812 at February 28, 2017. The decrease in current liabilities is primarily due to the payment of a \$300,000 note payable in September 2017.

Cash Used in Operations

\$	28-Feb-18	28-Feb-17
Net loss for period	(2,657,178)	(1,412,591)
Add charges to operations not requiring current cash payment	291,275	443,673
Changes in non-cash working capital balances related to operations	(740,829)	67,204
Cash used in operating activities	(3,106,733)	(901,714)

Cash used in operating activities amounted to \$3,106,733 for six months ended February 28, 2018 compared to \$901,714 for the same period in 2017.

Changes in non-cash working capital balances related to operations were \$740,829 for the six months ended February 28, 2018, compared to a surplus of \$67,204 for the six months ended February 28, 2017, primarily due to the change in accounts receivable and accounts payable.

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 President of the Company, has been contracted to provide consulting services to the Company. During the six months ended February 28, 2018, the Company's expenses included \$75,000 (2017 - \$75,000) related to these services.

Rocco Meliambro, a Director of the Company, has been engaged to provide consulting services to the Company. During the six months ended February 28, 2018, the Company's expenses included \$20,000 (2017 - \$45,000) related to these consulting services.

Financial Instruments

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

Changes in Accounting Policies and Critical Accounting Estimates

The significant accounting policies applied in preparation of the unaudited condensed interim consolidated financial statements for the six months ended February 28, 2018 are consistent with those applied and disclosed in Note 2 of the Company's 2017 audited consolidated financial statements. Critical accounting estimates remain the same as disclosed in the audited consolidated financial statements for the year ended August 31, 2017.

Major Operating Milestones

On December 15, 2017 the Company entered into Limited Partnership Agreements with three Manitoba Indigenous First Nations. Under the terms of the Agreements, each of the Opaskwayak Cree Nation, Long Plain First Nation, and Peguis First Nation have partnered with the Company to establish a retail recreational cannabis distribution network in Manitoba, when and if legally permissible to do so. Each of the three First Nations, intends to build out and operate a network of recreational cannabis stores located on the respective First Nation's owned land in Manitoba.

On December 21, 2017 the Company entered into a Limited Partnership Agreement with the Nisichawayasihk Cree Nation. Under the terms of the Agreement, the Nisichawayasihk Cree Nation have agreed to partner with the Company to establish a retail recreational cannabis store on First Nation land located in Thompson, Manitoba, when and if legally permissible to do so.

On December 22, 2017 the Company entered into a Limited Partnership Agreement with the Brokenhead Ojibway Nation of Manitoba. Under the terms of the Agreement, the Brokenhead Ojibway Nation have agreed to partner with the Company to establish a retail recreational cannabis store on First Nation land located northeast of Winnipeg, Manitoba, when and if legally permissible to do so. This brings the total number of First Nations partnerships that the Company has announced as of January 22, 2018 in Manitoba to five. The proposed retail cannabis locations throughout the province will all be constructed on First Nation land, staffed by its members and trained using the Company's proprietary model to ensure safe and secure distribution of legal cannabis.

On February 16, 2018 the Company announced that the government of Manitoba has chosen the Company as one of four recipients of licenses to operate privately owned retail cannabis stores in the Province, conditional upon several factors, including completing necessary agreements and providing the required documentation as outlined in the Province's November 2017 Request for Proposals. Under the terms of the Retail Organization Agreement with the Manitoba Provincial Government, the Company will be permitted to build, develop and operate in approved municipalities in the Province. The number of locations remains subject to ongoing discussion with the Province.

Subsequent Events

Subsequent to quarter-end, shareholders of the Company exercised 112,370 warrants and 327,145 options through a number of individual transactions. The Company received \$61,841 in cash.

Subsequent to quarter-end the Company entered into a strategic alliance with The Second Cup Ltd. (SCU.TO), Canada's second-largest retailer of speciality coffee, to develop and operate a network of Company-branded recreational cannabis dispensaries initially across Western Canada, expanding to include additional provinces where legally permissible. Conversion of any Second Cup café to a Company-branded recreational cannabis dispensary will be conditional on obtaining a retail license from provincial regulators and the approval of Second Cup and the applicable franchisee and landlord. In consideration of Second Cup agreeing to entering into this strategic alliance, the Company has issued to Second Cup 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 12, 2023.

Subsequent to quarter-end the Company announced it had acquired a 51% ownership stake in Cannabis Care Group Inc. ("CCG"), an entity that has established service agreements with over 40 pharmacies in Canada that provide turnkey cannabis program solutions for medical cannabis. In connection with the Acquisition, CCG changed its name to National Access Cannabis Medical Inc. ("NACM"). The Acquisition was completed pursuant to a share purchase agreement for an aggregate purchase price of \$4,040,000, payable through the issuance of the Company's common shares. The Share Purchase Agreement provides that for a period of up to five years from the closing date, the Vendors shall be entitled to receive up to \$6,080,000 of additional Company shares if certain milestones are achieved.

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 "Risk Factors" in the Company's annual Management Discussion and Analysis for the year ended August 31, 2017 (available on SEDAR at www.sedar.com). Risks and uncertainties have not materially changed for the six-month period ended February 28, 2017.

The risks and uncertainties described in the Company's annual management discussion and analysis for the year ended August 31, 2017 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.