

**NATIONAL ACCESS CANNABIS CORP.**

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

**For the three and six months ended February 28, 2018 and 2017  
(Expressed in Canadian Dollars)**

**Notice of No Auditor Review of Interim Condensed Financial Statements  
For the three and six-month period ended February 28, 2018 and February 28, 2017**

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

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

(signed) "Mark Goliger"

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Chief Executive Officer

"(signed) "Michael Best"

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Chief Financial Officer

April 23, 2018

Ottawa, Ontario

**NATIONAL ACCESS CANNABIS CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**February 28, 2018 and August 31, 2017**  
**(Unaudited - Expressed in Canadian Dollars)**

	Notes	February 28 2018	August 31 2017
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		7,673,692	4,871,790
Trade and other receivables	Note 6	712,830	403,003
Inventory	Note 7	54,579	24,556
Prepaid expenses		78,656	37,574
		<b>8,519,757</b>	5,336,923
<b>Non-current</b>			
Property and equipment	Note 8	710,122	817,652
Goodwill	Note 4 & 9	1,516,271	1,516,271
		<b>10,746,150</b>	7,670,846
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables		656,531	978,996
Note payable	Note 10	-	315,000
Deferred revenues		3,489	40,922
		<b>660,020</b>	1,334,918
<b>Non-current</b>			
Lease inducements		9,514	11,397
		<b>669,534</b>	1,346,315
<b>Shareholders' Equity</b>			
Share capital	Note 11	21,463,560	15,311,030
Warrants	Note 11	297,735	160,937
Contributed surplus		535,992	416,057
Accumulated deficit		<b>(12,220,671)</b>	<b>(9,563,493)</b>
		<b>10,076,616</b>	6,324,531
		<b>10,746,150</b>	7,670,846

Going concern (Note 1)  
Subsequent events (Note 19)

These financial statements were authorized for issue by the Board of Directors on April 23, 2018. They are signed on the Company's behalf by:

Signed: "Chuck Rifici"  
\_\_\_\_\_  
Director

Signed: "Rocco Meliambro"  
\_\_\_\_\_  
Director

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

**NATIONAL ACCESS CANNABIS CORP.**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

	Three months ended February 28		Six months ended February 28	
	2018	2017	2018	2017
<b>Revenues</b>				
Consultations	-	70,771	-	136,376
Administrative fees	<b>9,588</b>	-	<b>17,798</b>	-
Membership fees	<b>15,333</b>	29,336	<b>37,433</b>	49,483
Commissions	<b>416,247</b>	122,947	<b>790,469</b>	197,286
Merchandise sales	<b>34,244</b>	26,600	<b>67,064</b>	45,656
	<b>475,412</b>	249,654	<b>912,764</b>	428,801
<b>Cost of Goods Sold</b>				
Merchandise	<b>22,216</b>	17,800	<b>50,750</b>	30,939
Consultation fees	<b>102,832</b>	89,715	<b>250,714</b>	149,510
	<b>125,048</b>	107,515	<b>301,464</b>	180,449
<b>Gross Profit</b>	<b>350,364</b>	142,139	<b>611,300</b>	248,352
<b>Expenses</b>				
Advertising and marketing	<b>28,787</b>	46,761	<b>64,922</b>	81,007
Amortization of property and equipment	<b>90,064</b>	92,243	<b>179,472</b>	148,497
Amortization of intangible assets	-	9,344	-	23,359
Share based compensation	<b>21,324</b>	41,852	<b>113,686</b>	153,566
General and administrative expenses (Schedule)	<b>1,523,299</b>	739,027	<b>2,910,398</b>	1,254,514
	<b>1,663,474</b>	929,227	<b>3,268,478</b>	1,660,943
<b>Loss from operations</b>	<b>(1,313,110)</b>	(787,088)	<b>(2,657,178)</b>	(1,412,591)
<b>Net loss and comprehensive loss for the year</b>	<b>(1,313,110)</b>	(787,088)	<b>(2,657,178)</b>	(1,412,591)
<b>Net loss per share (Note 13)</b>				
Basic and diluted	<b>(0.01)</b>	(0.01)	<b>(0.02)</b>	(0.03)

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

**NATIONAL ACCESS CANNABIS CORP.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**Three and six months ended February 28, 2018 and 2017**  
**(Unaudited - Expressed in Canadian Dollars)**

	Share Capital		Warrants		Contributed Surplus	Deficit	Total (\$)
	Number of Shares	Amount (\$)	Amount	Amount			
<b>Balance, September 1, 2016</b>	<b>41,697,010</b>	<b>1,534,109</b>	<b>1,295,526</b>	<b>32,374</b>	<b>(1,838,574)</b>	<b>1,023,435</b>	
Conversion of director loans (Note 11)	8,000,000	400,000	-	-	-	400,000	
Conversion of payable due to director (Note 11)	221,860	33,279	-	-	-	33,279	
Subscription of receipts net of issuance costs (Note 11)	1,794,000	448,500	-	-	-	448,500	
Subscription receipts for warrants net of issuance costs (Note 11)	-	-	475,000	-	-	475,000	
Purchase of property and equipment (Note 11)	2,000,000	200,000	-	-	-	200,000	
Acquisition of companies (Note 11)	1,300,000	325,000	-	-	-	325,000	
Share based compensation (Note 11)	1,280,000	120,247	-	153,566	-	273,813	
Net loss and comprehensive for the period	-	-	-	-	(1,412,591)	(1,412,591)	
<b>Balance, February 28, 2017</b>	<b>56,292,870</b>	<b>3,061,135</b>	<b>1,770,526</b>	<b>185,940</b>	<b>(3,251,165)</b>	<b>1,766,436</b>	
<b>Balance, September 1, 2017</b>	<b>115,974,163</b>	<b>15,311,030</b>	<b>160,937</b>	<b>416,057</b>	<b>(9,563,493)</b>	<b>6,324,531</b>	
Conversion of options (Note 11)	1,821,892	351,902	-	-	-	351,902	
Conversion of warrants (Note 11)	1,187,882	238,463	-	-	-	238,463	
Private Placement (Note 11)	10,909,091	6,000,000	136,798	-	-	6,136,798	
Share based compensation (Note 11)	(50,000)	(6,250)	-	119,935	-	113,685	
Share issuance costs (Note 11)	-	(154,724)	-	-	-	(154,724)	
Transaction costs (Note 11)	-	(276,861)	-	-	-	(276,861)	
Net loss and comprehensive loss for the period	-	-	-	-	(2,657,178)	(2,657,178)	
<b>Balance, February 28, 2018</b>	<b>129,843,028</b>	<b>21,463,560</b>	<b>297,735</b>	<b>535,992</b>	<b>(12,220,671)</b>	<b>10,076,616</b>	

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

**NATIONAL ACCESS CANNABIS CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**Six months ended February 28, 2018 and 2017**  
**(Unaudited - Expressed in Canadian Dollars)**

	2018	2017
<b>Operating Activities</b>		
Net loss and comprehensive loss	<b>(2,657,178)</b>	(1,412,591)
Adjustments not effecting cash		
Amortization of property and equipment	<b>179,472</b>	148,497
Amortization of intangible assets	-	23,359
Amortization of lease inducements	<b>(1,883)</b>	(1,996)
Share-based compensation	<b>113,686</b>	273,813
	<b>(2,365,903)</b>	(968,918)
Changes in non-cash working capital		
Trade and other receivables	<b>(309,827)</b>	(73,169)
Inventory	<b>(30,023)</b>	(21,961)
Prepaid expenses	<b>(41,081)</b>	(40)
Trade and other payables	<b>(322,464)</b>	139,890
Deferred revenues	<b>(37,433)</b>	22,484
Cash flows used in operating activities	<b>(3,106,734)</b>	(901,714)
<b>Investing Activities</b>		
Business combination	-	7,621
Acquisition of property and equipment	<b>(71,942)</b>	(374,932)
Cash flows used in investing activities	<b>(71,942)</b>	(367,311)
<b>Financing Activities</b>		
Issuance of share capital	-	448,500
Issuance of share capital – Private Placement	<b>6,000,000</b>	
Issuance of warrants	<b>375,261</b>	475,000
Issuance of options	<b>351,902</b>	-
Share issuance costs	<b>(154,724)</b>	-
Transaction costs	<b>(276,861)</b>	-
Note payable	<b>(315,000)</b>	345,000
Cash flows provided by financing activities	<b>5,980,578</b>	1,268,500
Net increase (decrease) in cash and cash equivalents	<b>2,801,902</b>	(525)
<b>Cash and cash equivalents, beginning of year</b>	<b>4,871,790</b>	58,745
<b>Cash and cash equivalents, end of year</b>	<b>7,673,692</b>	58,220

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

## **NATIONAL ACCESS CANNABIS CORP.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

National Access Cannabis Corp., formerly Brassneck Capital Corp. (“NAC” or “the Company”), has one wholly-owned subsidiary, National Access Clinic Corp. (“Clinic”). Clinic has two wholly-owned subsidiaries, National Access Canada Corporation (“Canada”), and Wilson Master Apps Inc. (dba CannApply Medical Services) (“CannApply”). Clinic and its subsidiaries are in the business of providing cannabinoid education and introducing patients to medical cannabis treatments via its national network of physicians and health professionals. The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “NAC”.

The Company was incorporated under the name Brassneck Capital Corp. pursuant to the provisions of the Business Corporations Act (Alberta) on June 18, 2015. The 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. The Company was a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSXV.

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

On August 30, 2017, the Company completed its Qualifying Transaction. Upon closing, National Access Cannabis Corporation shareholders held approximately 92.8% of the outstanding shares of the Company. In substance, the Transaction involves National Access Cannabis Corporation shareholders obtaining control of the Company and accordingly the Transaction is considered to be a reverse takeover transaction (“RTO”) with the Company. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations (“IFRS 3”) since the Company, prior to the acquisition did not constitute a business. Upon completion of the Amalgamation, there were 115,974,063 Common Shares issued and outstanding. The transaction is accounted for in accordance with IFRS 2 Share-based Payments whereby National Access Cannabis Corporation is deemed to have issued shares and share purchase warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration received by National Access Cannabis Corporation. The consolidated financial statements of the combined entities are issued under the legal parent, National Access Cannabis Corporation (formerly Brassneck Capital Corp.), but are considered a continuation of the financial statements of the legal subsidiary, National Access Clinic Corporation. Since National Access Clinic Corporation 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. Additional information on the transaction is disclosed in Note 5.

#### **Going Concern Assumption**

These interim condensed consolidated financial statements for period ended February 28, 2018 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN (continued)**

The Company is in the development stage of expanding by opening and acquiring clinics throughout Canada. While these financial statements have been prepared on a going concern basis, the Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. Several alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These factors indicate a material uncertainty that may cast significant doubt about the Company being able to continue as a going concern. The Company has incurred losses since incorporation and as at February 28, 2018 has an accumulated deficit of \$12,220,671.

The interim condensed consolidated financial statements for the period ended February 28, 2018 do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of Compliance**

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

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended August 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 23, 2018.

**2.2 Basis of measurement**

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

**2.3 Basis of consolidation**

The consolidated financial statements include the accounts of National Access Cannabis Corporation, and the wholly-owned subsidiaries, National Access Clinic Corporation, National Access Canada Corporation and Wilson Master Apps Inc.

The subsidiaries are controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the day control ceases.



## **NATIONAL ACCESS CANNABIS CORP.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

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The functional currency of the parent, Clinic Corp, Canada Corp and CanApply is the Canadian dollar, which is the presentation currency of the consolidated financial statements.

### **3. NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE**

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

IFRS 9 '*Financial Instruments: Classification and Measurement*' - as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing the impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so. The Company continues to assess this new standard and the potential impact to the consolidated financial statements.

IFRS 15 '*Revenue from contracts with customers*' was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 15 immediately, but are not required to do so. The Company continues to assess this new standard and the potential impact to the consolidated financial statements.

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

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

### **4. BUSINESS COMBINATION**

On December 23, 2016 the Company entered into a Share Purchase Agreement with Wilson Master Apps Inc. (doing business as CannApply Medical Services) ("CanApply") an Alberta Company with an office at 201, 5401 Temple Dr. NE, Calgary, AB. CannApply is a private company engaged in the business of operating clinics offering services to medical cannabis patients. CannApply currently operates out of four locations within the city of Calgary, AB. The Company acquired 100% of the issued securities of CannApply for a total consideration of \$600,000 payable in 1,300,000 common shares of the Company with a deemed value of \$0.25 per share and \$275,000 in cash of which \$100,000 was paid at closing and the remaining balance of \$175,000 was paid following the Company's Qualifying Transaction (RTO) and subsequent public listing on August 30th, 2017.

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

**NATIONAL ACCESS CANNABIS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2018 and 2017****(Unaudited - Expressed in Canadian Dollars)**

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**4. BUSINESS COMBINATION (continued)**

The following table summarizes the fair value of the net assets acquired. The valuation was performed by the Company based on the internal appraisals of the fair value of the property and equipment acquired. The assessment of the purchase price allocation is based on management's current knowledge of the business of Wilson Master Apps Inc. The allocation is preliminary and may change as more information becomes available. The change, if any, may be significant.

Value recognized on the acquisition date	
Cash	7,621
Trade and other receivables	49,467
Goodwill	701,794
Trade and other payables	(149,467)
Deferred revenues	(9,415)
<u>Total net assets acquired</u>	<u>600,000</u>

**5. REVERSE TAKEOVER**

On August 30, 2017, Brassneck Capital Corp. completed its Qualifying Transaction, pursuant to the terms of an amalgamation agreement dated effective July 10, 2017 between Brassneck Capital Corp., 1119622 B.C. Ltd., and National Access Cannabis Corp. The former shareholders of National Access Cannabis Corp. received a total of 107,612,568 or 92.8% of the post consolidated common shares of Brassneck Capital Corp. for all the outstanding shares of National Access Cannabis Corp.

The transaction was a reverse takeover of Brassneck Capital Corp. and has been accounted for under IFRS 2, *Share-based payment*. The value in excess of the net identifiable assets or obligations of the Company acquired on closing is expensed in the consolidated statement of comprehensive loss as a listing fee expense for the year ended August 31, 2017.

The listing fee expense in the amount of \$2,427,438 is comprised of the net working capital, the fair value of common shares and options of the Company retained by the former shareholders of the Company as well as other direct expenses of the Transaction. The options and warrants were attributed a fair value of \$196,534 using the Black-Scholes option pricing model with the following assumptions: fair value of security of \$0.25; expected life of two years; \$Nil dividends; 71% volatility; and a risk-free interest rate of 1.04%.

The following represents management's estimate of fair value of share-based consideration and net assets acquired as a result of this Qualifying Transaction.

Fair value of Brassneck shares (8,361,495 at \$0.25 per share)	2,090,374
Fair value of Brassneck options	196,534
<u>Total Consideration</u>	<u>2,286,908</u>
Net assets acquired	(274,892)
Excess attributed to cost of listing	2,012,016
<u>Legal, professional and other fees</u>	<u>415,422</u>
<u>RTO Listing Expense</u>	<u>2,427,438</u>

Net assets acquired include:

Cash	50,860
Loan Receivable	222,275
Prepaid Expenses	10,000
<u>Legal Fees Payable</u>	<u>(8,243)</u>

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

Total net assets acquired	274,892
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**6. TRADE AND OTHER RECEIVABLES**

	February 28 2018	August 31 2017
Trade receivables	524,686	309,772
Sales taxes recoverable	188,144	93,231
	<u>712,830</u>	<u>403,003</u>

**7. INVENTORY**

Inventory consists of various retail items. Most items are instruments used by patients to help prepare and administer prescribed medical cannabis.

	February 28 2018	August 31 2017
Retail items	<u>54,579</u>	<u>24,556</u>

During the period ended February 28, 2018, \$50,750 of inventory was recognized as an expense (\$84,514 for the year ended August 31, 2017).

**8. PROPERTY AND EQUIPMENT**

	Furniture And Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvements	Total
<u>Cost:</u>						
At August 31, 2016	68,535	34,779	14,233	22,627	500,464	640,638
Additions	59,740	34,018	-	41,741	445,726	581,225
Disposals	(3,690)	-	-	-	-	(3,690)
At August 31, 2017	<u>124,585</u>	<u>68,797</u>	<u>14,233</u>	<u>64,368</u>	<u>946,190</u>	<u>1,218,173</u>
Additions	4,781	17,740	-	-	49,421	71,942
Disposals	-	-	-	-	-	-
At February 28, 2018	<u>129,366</u>	<u>86,537</u>	<u>14,233</u>	<u>64,368</u>	<u>995,611</u>	<u>1,290,115</u>
<u>Accumulated Amortization</u>						
At August 31, 2016	8,311	8,545	5,709	2,210	57,712	82,487
Amortization	22,433	19,529	4,744	11,684	260,198	318,588
Disposals	(544)	-	-	-	-	(554)
At August 31, 2017	<u>30,190</u>	<u>28,074</u>	<u>10,453</u>	<u>13,894</u>	<u>317,910</u>	<u>400,521</u>
Amortization	12,538	11,920	1,889	6,437	146,688	179,473
Disposals	-	-	-	-	-	-
At February 28, 2018	<u>42,728</u>	<u>39,994</u>	<u>12,342</u>	<u>20,331</u>	<u>464,598</u>	<u>579,994</u>
<u>Carrying amounts:</u>						
At August 31, 2017	<u>94,395</u>	<u>40,723</u>	<u>3,780</u>	<u>50,474</u>	<u>628,280</u>	<u>817,652</u>
At February 28, 2018	<u>86,638</u>	<u>46,543</u>	<u>1,891</u>	<u>44,037</u>	<u>531,013</u>	<u>710,122</u>

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

**9. INTANGIBLE ASSETS AND GOODWILL**

		Total Goodwill	Total Software Licenses
Cost:			
At August 31, 2016		814,477	100,000
	Additions (Note 4)	701,794	-
At August 31, 2017		1,516,271	100,000
	Additions	-	-
At February 28, 2018		1,516,271	100,000
Accumulated Amortization			
At August 31, 2016		-	76,641
	Amortization	-	23,359
At August 31, 2017		-	100,000
	Amortization	-	-
At February 28, 2018		-	100,000
Carrying amounts:			
At August 31, 2017		1,516,271	-
At February 28, 2018		1,516,271	-

**10. NOTE PAYABLE**

On November 29, 2016 the Company borrowed \$300,000 from an unsecured lender at an interest rate on the principal at 5% per month from December 2016 through April 2017, and 2.5% per month on the principal from May 2017 forward. At June 29, 2017, \$90,000 of interest was paid to the lender in common shares of the Corporation. The common share price of \$0.25 per share was based on market price. As at August 31, 2017 the remaining principal of \$300,000 and balance of interest of \$15,000 was subsequently paid on September 5, 2017.

**11. EQUITY INSTRUMENTS**

(a) **Share Capital**

Authorized:

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

	Number of shares	Amounts
<b>Balance, September 1, 2016</b>	<b>41,697,010</b>	<b>1,534,109</b>
Conversion of director loans (i)	8,000,000	400,000
Conversion of payable due to director (ii)	221,860	33,279
Subscription of receipts net of issuance costs (iii)	1,794,000	448,500
Purchase of property and equipment (iv)	2,000,000	200,000
Acquisition of companies (v)	1,300,000	325,000
Share based compensation (vi)	1,280,000	120,247
<b>Balance, February 28, 2017</b>	<b>56,292,870</b>	<b>3,061,135</b>
<b>Balance, September 1, 2017</b>	<b>115,974,163</b>	<b>15,311,030</b>
Conversion of options (vii)	1,821,892	351,902
Conversion of warrants (viii)	1,187,882	238,463
Private placement (ix)	10,909,091	6,000,000
Share based compensation (x)	(50,000)	(6,250)
Share issuance costs	-	(154,724)
Transaction costs	-	(276,861)

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

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**(Unaudited - Expressed in Canadian Dollars)**

<b>Balance, February 28, 2018</b>	<b>129,843,028</b>	<b>21,463,560</b>
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**11. EQUITY INSTRUMENTS (continued)**

(i) On October 24, 2016 \$400,000 of amounts due to directors was settled with shares of the Company at a price of \$0.05 per share, for a total of 8,000,000 shares issued.

(ii) On November 22, 2016 \$33,279 payable to a director was settled with shares of the Company at a price of \$0.15 per share, for a total of 221,860 shares issued.

(iii) On February 7, 2017 the Company closed non-brokered private placements for total proceeds of \$448,500. The Company issued 1,794,000 common shares at a price of \$0.25 per share.

(iv) On November 17, 2016 the Company entered into an Asset Purchase Agreement with a major shareholder of the Company, to repurchase the leaseholds and substantially all of the assets, real and personal, tangible and intangible at the seller's facility located at 2571 A Quadra Street, Victoria, British Columbia. Total consideration for the assets purchased is \$250,000 consisting of paying the seller \$50,000 and issue of 2,000,000 common shares at \$0.10 per share in capital of the Company. As a further consideration, the Buyer paid the Seller an additional amount of \$50,000 upon the Company achieving its public listing status.

(v) On December 21, 2016 the Company entered into a Share Purchase Agreement with Wilson Master Apps Inc. (doing business as CannApply Medical Services) an Alberta Company with an office at 201, 5401 Temple Dr. NE, Calgary, AB. CannApply is a private company engaged in the business of operating clinics offering services to medical cannabis patients. CannApply currently operates out of four locations within the city of Calgary, AB. The Company acquired 100% of the issued securities of CannApply for a total consideration of \$600,000 payable in 1,300,000 common shares of the Company with a value of \$0.25 per share and \$275,000 in cash with \$100,000 paid at closing and the remaining balance of \$175,000 was paid following the Company's Qualifying Transaction (RTO) and subsequent public listing on August 30th, 2017.

(vi) Members of the Board of Directors and executive management team of the Company received share-based compensation for consulting services and salary. For the three and six-month period ended February 28, 2017, the Company's expenses included \$60,781 and \$120,247 respectively for consulting fees and salary. Total common shares issued for the share-based compensation was 489,060 for the three-month period and 1,280,000 for the six-month period ended February 28, 2017 respectively

(vii) During the six months ended February 28, 2018 1,821,892 options were exercised at a weighted average exercise price of \$0.19.

(viii) During the six months ended February 28, 2018 1,187,882 options were exercised at a weighted average exercise price of \$0.20.

(ix) On January 19, 2018, the Company completed a non-brokered private placement pursuant to which it issued 10,909,091 units of the Company for aggregate gross proceeds of 6,000,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share at a price of \$0.90 per warrants share, subject to adjustment in certain events, for a period of 24 months following the closing date. In connection with the closing of the private placement, the Company paid the Agents a cash commission of \$194,346 and issued Agent warrants exercisable to acquire 353,356 shares at an exercise price of \$0.90 per share exercisable until January 30, 2020. The warrants were valued at \$136,798 using the Black-Scholes option pricing model and the following variables: stock price of \$0.95; expected life of two years; \$Nil dividends; 71% volatility; and risk-free interest rate of 1.04%

**NATIONAL ACCESS CANNABIS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2018 and 2017****(Unaudited - Expressed in Canadian Dollars)****11. EQUITY INSTRUMENTS (continued)**

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

**(b) Warrants**

	February 28, 2018		August 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of the period	1,440,050	0.17	8,788,032	0.15
Expired during the period	-	-	-	-
Issued during the period	5,807,908	0.90	4,406,716	0.17
Exercised during the period	(1,187,882)	0.20	(11,854,698)	0.15
Outstanding, end of the period	6,060,076	0.87	1,440,050	0.17

The following table summarizes the warrants that remain outstanding as at February 28, 2018:

Exercise Price	Warrants	Expiry Date
\$	#	
0.083	18,251	March 15, 2018
0.200	75,000	April 11, 2019
0.250	158,917	July 10, 2019
0.900	5,807,908	January 30, 2020
	6,060,076	

**12. STOCK OPTION PLAN**

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest immediately and expire at various dates from the date of the grant. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 2,435,000 issued for the period ending February 28, 2018 (August 31, 2017 - 5,419,004). The employee compensation expense related to options vested for the period ended February 28, 2018 is \$119,935 (August 31, 2017 - \$237,245). The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan. A summary of the status of the Company's issued and outstanding stock options as of February 28, 2018 and August 31, 2017, and changes during the years ended on those dates, is presented below:

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**Three and six months ended February 28, 2018 and 2017**

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**12. STOCK OPTION PLAN (continued)**

	February 28, 2018		August 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	8,269,004	0.17	3,350,000	0.15
Net granted	2,435,000	0.65	5,419,004	0.18
Exercised	(1,821,892)	0.19	(500,000)	-
Forfeited	-	-	-	-
Cancelled	(400,000)	0.25	-	-
Outstanding, end of period	8,482,112	0.30	8,269,004	0.17

The following table summarizes information about stock options as at February 28, 2018:

Exercise price	Number outstanding at February 28, 2018	Weighted average remaining contractual life (years)	Number exercisable at February 28, 2018	Weighted average remaining contractual life (years)
\$	#		#	
0.083	627,112	8.1	627,112	8.1
0.15	4,800,000	1.6	4,800,000	1.6
0.25	1,210,000	4.8	710,000	4.7
0.51	250,000	4.8	50,000	4.8
0.55	160,000	4.9	40,000	4.9
0.85	1,435,000	5.0	-	-
0.30	8,482,112	3.3	6,227,112	2.7

The weighted average exercise price was \$0.30 as at February 28, 2018 (August 31, 2017 - \$0.17) for exercisable options.

For the six months ended February 28, 2018, the Company recorded \$119,935 (February 28, 2017 - \$153,566) in stock-based compensation expense related to employee options, which are measured at fair value at the date of grant and are expensed over the vesting period. In determining the amount of stock-based compensation, the Company used the Black-Scholes option pricing method to establish the fair value of options granted by applying the following assumptions:

	February 28, 2018	February 28, 2017
Risk-free interest rate	0.87%-1.60%	0.94% - 1.38%
Expected life of options (years)	3-5	3-5
Expected annualized volatility	70.00%-71.00%	70.00%
Expected dividend yield	Nil	Nil

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

**NATIONAL ACCESS CANNABIS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2018 and 2017****(Unaudited - Expressed in Canadian Dollars)****13. LOSS PER SHARE**

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

	February 28 2018	February 28 2017
<b>Basic earnings (loss) per share</b>		
Total comprehensive income (loss)	(2,657,178)	(1,412,591)
Weighted average number of common shares outstanding	118,565,678	49,821,679
Total comprehensive income (loss) per common share, basic	<u>(0.02)</u>	<u>(0.03)</u>
<b>Diluted earnings (loss) per share</b>		
Total comprehensive income (loss)	(2,657,178)	(1,412,591)
Weighted average number of common shares outstanding	118,565,678	49,821,679
Effect of dilutive stock	-	-
Weighted average number of common shares outstanding assuming dilution	<u>118,565,678</u>	<u>49,821,679</u>
Total comprehensive income (loss) per common share, diluted	<u>(0.02)</u>	<u>(0.03)</u>

The treasury stock method is used to calculate loss per share and under this method stock options and warrants that are anti-dilutive are excluded from the calculation of diluted loss per share. For the period ended February 28, 2018 and February 28, 2017, all outstanding options and warrants were considered anti-dilutive because the Company recorded a loss over those periods.

The outstanding stock options and warrants that could dilute basic net loss per share in future periods but were not included in determining diluted net loss per share for the period ending February 28, 2018 and February 28, 2017 because they are antidilutive are as follows:

	2018	2017
Stock options	8,482,112	5,375,000
Warrants	6,060,076	11,754,698
	<u>14,542,188</u>	<u>17,129,698</u>

**14. LEASE AND OTHER COMMITMENTS AND GUARANTEES**

The Company has entered into various lease agreements having terms of 27 to 60 months. These lease agreements expire between April 30, 2018 and April 30, 2020.

As at February 28, 2018, the minimum annual lease payments are expected to be as follows:

2018	153,350
2019	167,593
2020	56,046
2021	-
	<u>376,989</u>



**NATIONAL ACCESS CANNABIS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended February 28, 2018 and 2017****(Unaudited - Expressed in Canadian Dollars)****15. KEY MANAGEMENT PERSONNEL COMPENSATION**

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

	February 28 2018	February 28 2017
Salaries	372,577	89,308
Directors' fees	-	-
Share-based compensation	75,801	249,256
Total Key Management Compensation	448,378	338,564

Salaries include cash payments for base salaries and bonuses. Directors' fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There was \$75,801 of share-based compensation granted to key management personnel for the period ended February 28, 2018 (February 28, 2017 - \$249,256).

**16. RELATED PARTY TRANSACTIONS**

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 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.

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 services.

**17. FINANCIAL INSTRUMENTS**

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

	As at February 28 2018	As at August 31, 2017
Financial assets:		
FVTPL		
Cash	7,673,692	4,871,790
Loans and receivables		
Trade and other receivables	712,830	403,003
Total financial assets	8,386,522	5,274,793
Financial liabilities:		
Financial liabilities at amortized cost		
Trade and other payables	656,531	978,996
Note payable	-	315,000
Total financial liabilities	656,531	1,293,996

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

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**17. FINANCIAL INSTRUMENTS (continued)**

**Financial Risk Management Objectives and Policies**

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

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

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

**Market risk**

a) Currency risk

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

b) Interest rate risk

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

c) Price risk

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

**Liquidity Risk**

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

**Credit Risk**

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

**NATIONAL ACCESS CANNABIS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

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**18. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to:

- Maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations, the cash exercise of existing warrants and its debt capacity;
- Preserve its ability to meet its financial obligations by funding the capital needs via various private and institutional sources; and
- Optimize the use of its capital to provide an appropriate return on investment to its shareholders.

The Company defines its capital as shareholders' deficiency and amounts due to shareholders. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the period ended February 28, 2018.

**19. 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.

**20. COMPARATIVE FIGURES**

Certain comparative amounts have been reclassified to conform to the current presentation.

**NATIONAL ACCESS CANNABIS CORP.**

**Schedule**

**Three and six months ended February 28, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

	Three months ended		Six months ended	
	February 28		February 28	
	2018	2017	2018	2017
<b>General and administrative expenses</b>				
Business taxes and licenses	-	77	85	263
Computer expenses	8,331	2,904	20,507	5,929
Insurance	2,635	-	25,572	3,451
Interest and bank charges	1,822	50,789	6,450	54,388
Laundry and cleaning	286	277	535	535
Management fees	16,805	27,796	30,744	96,391
Office supplies	31,959	49,371	69,792	85,010
Professional fees	377,239	110,228	563,357	139,469
Consulting fees	306,851	158,176	681,192	224,306
Rental	118,868	91,461	249,052	179,735
Repairs and maintenance	240	220	560	220
Salaries and benefits	587,724	209,709	1,096,480	391,879
Telecommunications	3,185	3,002	9,216	5,855
Travel and entertainment	61,685	24,306	144,705	51,049
Uniforms	-	4,817	-	4,817
Utilities	5,669	5,894	12,152	11,217
	<b>1,523,299</b>	<b>739,027</b>	<b>2,910,398</b>	<b>1,254,514</b>