

BRASSNECK CAPITAL CORP.

-AND-

1119622 B.C. LTD.

-AND-

NATIONAL ACCESS CANNABIS CORP.

AMALGAMATION AGREEMENT

JULY 10, 2017

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SCHEDULES

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AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT dated as of the 10th day of July, 2017.

BETWEEN:

BRASSNECK CAPITAL CORP., a body corporate incorporated under the laws of Alberta (“**Brassneck**” or the “**Purchaser**”)

OF THE FIRST PART

- AND -

1119622 B.C. LTD., a body corporate incorporated under the laws of British Columbia (“**Brassneck Subco**”)

OF THE SECOND PART

- AND -

NATIONAL ACCESS CANNABIS CORP., a body corporate incorporated under the laws of British Columbia (“**NAC**” or the “**Corporation**”)

OF THE THIRD PART

WHEREAS:

- A. Brassneck is a “Capital Pool Company” as defined by TSXV Policy 2.4 (as defined herein) and wishes to complete a “Qualifying Transaction” with NAC within the meaning thereof;
- B. the Corporation is active in the business of and operating clinics in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia and Ontario, which assist consumers in navigating through and accessing Canada’s legal medical cannabis program by assisting in determining eligibility, completing medical forms, providing physician consultations and selecting appropriate licensed products (the “**Business**”); and
- C. the Parties (as defined herein) propose to combine the business and assets of NAC and Brassneck by way of a statutory amalgamation between NAC and Brassneck Subco (the “**Transaction**”) to create Amalco (as defined herein), and upon completion of the Transaction, Amalco shall be a wholly-owned subsidiary of Brassneck.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants and promises herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties, the Parties covenant and agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Defined Terms

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (1) “**ABCA**” means the *Business Corporations Act* (Alberta), RSA 2000, c B-9, as may be amended or re-enacted from time to time, including all regulations promulgated thereunder;
- (2) “**Accounts Receivable**” means all accounts receivable, notes receivable and other debts due or accruing due to NAC;
- (3) “**Act**” means the *Business Corporations Act* (British Columbia), SBC 2002, c 57, as may be amended or re-enacted from time to time, including all regulations promulgated thereunder;
- (4) “**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The terms “**control**” (including terms “**controlled by**” and “**under common control with**”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise;
- (5) “**Agents**” means the agents to the NAC Financing, namely PI and Canaccord Genuity Corp.;
- (6) “**Agent’s IPO Warrants**” means the non-transferable share purchase warrants of Brassneck issued to PI along with certain sub-agents as partial consideration for services to Brassneck in connection with Brassneck’s initial public offering, entitling the holders to purchase up to 273,900 Brassneck Shares at a price of \$0.10 per Brassneck Share exercisable until March 16, 2018;
- (7) “**Agent’s Warrants**” means up to 960,000 non-transferable share purchase warrants of the Corporation, issued pursuant to the terms and conditions of the NAC Financing, as partial consideration for the Agent’s services in connection with the NAC Financing, exercisable prior to the date that is two (2) years from the date of issuance of the Agent’s Warrants to acquire an equal number of NAC Shares at an exercise price of \$0.25 per NAC Share. On Closing, pursuant to the terms hereof, each unexercised Agent’s Warrant will be exchanged for one Resulting Issuer Agent’s Warrant;
- (8) “**Agreement**”, “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and “**hereunder**” and similar expressions mean and refer to this Agreement (including the schedules hereto), as the same may be amended, modified, or supplemented from time to time, and not to any particular Article, Section, Subsection, Schedule or other portion of this Agreement;
- (9) “**Amalco**” means the corporation continuing from the Amalgamation;
- (10) “**Amalco Shares**” means the common shares in the capital of Amalco;
- (11) “**Amalgamating Parties**” means Brassneck Subco and NAC;
- (12) “**Amalgamation**” means the amalgamation of the Amalgamating Parties under the provisions of the Act on the terms and conditions set forth in this Agreement;
- (13) “**Amalgamation Application**” means the form of Amalgamation Application which shall include the Notice of Articles of Amalco and will be in the forms attached as Schedule A;
- (14) “**Ancillary Agreements**” means the TSXV Escrow Agreements, the Warrant Acceleration Agreements, the Option Conversion Agreements, and the Performance Escrow Agreements;

- (15) “**Applicable Law(s)**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies and guidelines, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decision, rulings or awards, including general principles of common and civil law, and the terms and conditions of any grant of approval, permission, authority or licence of any Governmental Authority, that, in a context that refers to one or more persons apply to the person or persons, or its or their business, undertaking, property or shares, and emanate from a Governmental Authority having jurisdiction over the person or persons or its or their business, undertaking, property or shares;
- (16) “**Applicable Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder and the polices and rules of the TSXV, as the foregoing may be amended or re-enacted from time to time prior;
- (17) “**Articles of Amalco**” means the Articles of Amalco in the form attached as Schedule B hereto and the Articles of Amalco will be signed by a director of Amalco in accordance with Section 270(2)(d)(i) of the Act;
- (18) “**Assessment**” means an assessment, reassessment or any other formal Claim for, or in respect of, Taxes which is made by any Taxing Authority;
- (19) “**Authorization**” means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Authority having jurisdiction over the Person, including any municipal or other approvals required to be granted before a Governmental Authority provides an authorization;
- (20) “**Books and Records**” means all books of account, tax records, sales and purchase records, customer and supplier lists, computer software, formulae, business reports, plans and projections and all other documents, files, correspondence and other information of NAC, the NAC Subsidiaries or Brassneck, as the case may be, (whether in written, printed, electronic or computer printout form);
- (21) “**Brassneck**” or the “**Purchaser**” means Brassneck Capital Corp., a corporation incorporated pursuant to the ABCA;
- (22) “**Brassneck Board**” means the board of directors of Brassneck;
- (23) “**Brassneck Financial Statements**” means the audited financial statements of Brassneck as at and for the year ended December 31, 2016 and as at December 31, 2015 and for the period from the date of incorporation on June 18, 2015 to December 31, 2015, and the unaudited interim financial statements as at and for the three month period ended March 31, 2017 all prepared in accordance with IFRS;
- (24) “**Brassneck Name Change**” means the amendment to the articles of Brassneck pursuant to which Brassneck will change its name to “National Access Cannabis Corp.” or such other name as may be agreed to by Brassneck and NAC, to be completed immediately prior to Closing;
- (25) “**Brassneck Options**” means the options to acquire Brassneck Shares granted under the Brassneck Stock Option Plan and being outstanding and unexercised on the date hereof;
- (26) “**Brassneck Parties**” means Brassneck and Brassneck Subco;

- (27) **“Brassneck Shareholder”** means a registered holder of Brassneck Shares, from time to time, and **“Brassneck Shareholders”** means all of such holders, collectively;
- (28) **“Brassneck Shares”** means the common shares in the capital of Brassneck;
- (29) **“Brassneck Share Split”** means the share split of the Brassneck Shares on the basis of 1.205 post-share split Brassneck Shares for each one pre-share split Brassneck Shares, or such other ratio as may be agreed to by Brassneck and NAC, to be completed immediately prior to Closing;
- (30) **“Brassneck Stock Option Plan”** means the current option plan of Brassneck;
- (31) **“Brassneck Subco”** means 1119622 B.C. Ltd., a wholly-owned subsidiary of Brassneck incorporated under the Act for the purposes of completing the Transaction;
- (32) **“Brassneck Subco Shares”** means the common shares in the capital of Brassneck Subco;
- (33) **“Bridge Loan”** means the loan to be advanced from Brassneck to NAC in the principal amount of up to \$225,000 pursuant to a loan agreement between Brassneck and NAC to be entered into in accordance with applicable TSXV Policies;
- (34) **“Broker Warrants”** means the 150,000 broker warrants of NAC issued to PI under the Convertible Note Offering, pursuant to which PI may acquire up to 150,000 NAC Shares or, after the Closing Date, Resulting Issuer Shares, at an exercise price of \$0.20 at any time prior to April 11, 2019;
- (35) **“Business”** has the meaning ascribed thereto in the recitals to the Agreement;
- (36) **“Business Day”** means any day excepting a Saturday or Sunday or a day recognized as a statutory holiday in Vancouver, British Columbia or Calgary, Alberta;
- (37) **“Cannapply”** means Wilson Master Apps Inc., a wholly-owned subsidiary of NAC incorporated under the ABCA;
- (38) **“Certificate of Amalgamation”** means the certificate or other confirmation of filing to be issued by the Registrar pursuant to the Act, giving effect to the Amalgamation;
- (39) **“Claim”** includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, informations or other similar processes, fines, expenses, costs damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including fees and disbursements of legal counsel, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing;
- (40) **“Clinics”** means the medical clinics through which NAC currently operates the Business, the names and locations of which are listed in the NAC Disclosure Letter;
- (41) **“Closing”** means the completion of the Transaction contemplated in this Agreement;
- (42) **“Closing Date”** means the effective date of the Amalgamation as set forth in the Certificate of Amalgamation;

- (43) “**Closing Time**” means 12:01 a.m. (Calgary time) on the Closing Date;
- (44) “**Confidential Information**” means, with respect to NAC, confidential or non-public information and trade secrets, including confidential or non-public: proprietary information, know how, technology, technical data, proprietary processes, specifications, formulations, formulae, materials or compositions of matter of any type or kind (patentable or otherwise), marketing reports, customer lists and supplier lists, study reports, regulatory submission summaries and regulatory submission documents, expertise, test data, analytical and quality control data, studies and procedures, schematics, test methodologies, simulation and development tools, prototypes and other devices;
- (45) “**Consent**” means the consent of a contracting party to a change in control of the Corporation if required by the terms of any Contract, or the consent or acceptance of any other Person who is not a Governmental Authority to the Transaction contemplated herein;
- (46) “**Contracts**” means any and all agreements, contracts, leases, deeds, mortgages, licences, instruments, notes, commitments, undertakings, indentures, joint ventures of any nature, or other right or obligation (written or oral) to which a Party is bound or affected or to which any of their respective assets are subject, including, without limitation: (i) unfilled purchase orders, (ii) forward commitments for supplies or materials entered into the Ordinary Course, and (iii) restrictive agreements, negative covenant agreements, confidentiality agreement and invention assignment agreements with any Employees, past or present;
- (47) “**Convertible Notes**” means the convertible notes of NAC issued under the Convertible Note Offering, pursuant to which the holders thereof will be paid interest at a rate of 10% per annum, payable semi-annually, with any accrued interest to be forgiven upon closing of the Transaction and which provide that immediately prior to Closing of the Transaction, each note will automatically convert into one NAC Share at a deemed exercise price of \$0.20 per NAC Share;
- (48) “**Convertible Note Offering**” means the non-brokered private placement of NAC of \$1,000,000 principal amount of Convertible Notes, completed on April 11, 2017;
- (49) “**Debt Instrument**” has the meaning ascribed thereto in Section 3.1(26);
- (50) “**Demised Premises**” means the leased or use permit lands and premises listed and described in the NAC Disclosure Letter by reference to the municipal addresses;
- (51) “**Employees**” means individuals who are full-time, part-time or temporary employees or individuals engaged or otherwise contracted to provide employment or similar services in respect of NAC, the NAC Subsidiaries or Brassneck, as the case may be; and “**Employee**” means any one of them;
- (52) “**Encumbrances**” means any charge, mortgage, lien, pledge, claim, embargo, security interest, legal or conventional, moveable or immovable, specific or floating, whether created or arising by agreement, statute or otherwise, attaching to property, interests or rights, and shall be construed in the widest possible terms and principles known under the law;
- (53) “**Environmental Laws**” means applicable Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes;

- (54) “**Escrow Agent**” or “**Transfer Agent**” means TSX Trust Company, the registrar and transfer agent of Brassneck and the escrow agent under the TSXV Escrow Agreements and the Subscription Receipt Agreement;
- (55) “**Escrow Release Conditions**” has the meaning ascribed thereto in the Subscription Receipt Agreement;
- (56) “**Exchange Ratio**” has the meaning ascribed thereto in Section 2.2(1)(vi);
- (57) “**Filing Statement**” means the filing statement of Brassneck and the Appendices attached thereto, to be submitted to the TSXV regarding the Transaction, as prepared pursuant to Policy 2.4 – *Capital Pool Companies* of the TSXV;
- (58) “**Final Exchange Bulletin**” means the Exchange bulletin which is issued following completion of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Transaction as the Qualifying Transaction of Brassneck;
- (59) “**GAAP**” means, at any time, accounting principles generally accepted in Canada applying IFRS, including those set out in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis;
- (60) “**Governing Documents**” means, in respect of each Party, its governing documents, including, as applicable, its certificate and articles of incorporation, as amended, articles of association, as amended and all similar articles, and its by-laws, as amended;
- (61) “**Government Authority**” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question and, for greater certainty, includes the Exchange;
- (62) “**GST**” means the goods and services tax and the harmonized sales tax (if applicable) under the *Excise Tax Act* (Canada);
- (63) “**IFRS**” means International Financial Reporting Standards adopted by the International Accounting Standards Board as may be amended or re-stated from time to time;
- (64) “**Intellectual Property**” means: (i) all works, including literary, artistic and graphic works, databases, and compilations thereof, including computer software, source code, object code, firmware, development tools, files, records and data, (the “**Works**”); (ii) all inventions, arts, processes, machines, manufactures, compositions of matter and developments, whether or not patentable, patented or the subject of applications for patents (the “**Inventions**”); (iii) all trade names, logos, trade dress, trademarks and service marks (“**Marks**”); (iv) all industrial designs, whether or not patentable or registrable, patented or registered or the subject of applications for design patent or registration (“**Designs**”); (v) all Confidential Information; and (vi) all Internet domain name registrations, Internet and World Wide Web URLs or addresses (“**Domain Names**”);
- (65) “**Intellectual Property Rights**” means any and all industrial and intellectual property and proprietary rights in the Intellectual Property, including, without limitation, the following: (i) all patents and applications therefor and rights to file applications for the Inventions and all reissues,

divisions, renewals, extensions, re-examinations, reissues, provisionals, continuations and continuations-in-part thereof and other derivative applications and patents; (ii) all rights in the Confidential Information; (iii) all design patents, design registrations, pending patent and design applications and rights to file applications for the Designs, including all rights of priority and rights in continuations, continuations-in-part, divisions, re-examinations, reissues and other derivative applications and patents; (iv) all trademark and service mark registrations for the Marks, trademark and service mark applications for the Marks, any rights arising from the use, application for or registration of the Marks, and any and all goodwill associated with and symbolized by the Marks; (v) all rights in the Domain Names; and (vi) all copyright and other rights and all registrations, pending applications for registration and rights to file applications for, and all moral rights and, where a Party is not the author, the benefits of such Party in all waivers of moral rights in, the Works;

- (66) **“in writing”** means written information including documents, files, software, records and books made available, delivered or produced to one Party by or on behalf of another Party;
- (67) **“ITA”** means the *Income Tax Act* (Canada), RSC 1985, c 1 (5th Supp), as may be amended or re-enacted from time to time, including the regulations promulgated thereunder,;
- (68) **“Leases”** means the leases for the Clinics and other office space described in the NAC Disclosure Letter;
- (69) **“Legal Proceedings”** means any Claim, action, suit, complaint, demand, litigation, arbitration, prosecution, contest, hearing, inquiry, investigation, inquest, audit or other proceeding of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or threatened, by or before any court, tribunal, arbitrator or other Government Authority;
- (70) **“Liability”** means any liability or obligations of any kind or nature (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due);
- (71) **“LOI”** means the letter of intent dated March 29, 2017 between Brassneck and NAC setting out, among other things, the proposed terms of the Transaction;
- (72) **“Losses”** shall mean, in respect of any matter, losses, damages, Legal Proceedings, Claims, prosecutions, judgments, costs, expenses (including all reasonable legal fees and disbursements), fines and penalties arising directly as a consequence of that matter, but excluding loss of profit and opportunity and indirect consequential and extraordinary damages;
- (73) **“Material Adverse Change”** means, in respect of a Party or its Subsidiary (if any), any one or more changes, events or occurrences, and **“Material Adverse Effect”** means in respect of a Party or its Subsidiary (if any), an effect, which, in either case, either individually or in the aggregate with all other fact, changes, circumstances, effects, event or occurrences is, or would reasonably be expected to: (i) be, material and adverse to the business, operations, results of operations, assets, capital, liabilities (contingent or otherwise), prospects, privileges or financial condition of that Party or a Subsidiary (if any); or (ii) prevent a Party from performing its obligations under this Agreement in any material respect, other than any change, event, occurrence or effect: (a) relating to the global economy or financial, securities or commodities markets in general in the world including, without limitation, changes in currency exchange rates or interest rates; (b) relating to any generally applicable change in Applicable Laws (other than Orders, judgments or decrees made against the Party or a Subsidiary (if any)); or (c) any natural disaster or the

commencement, occurrence or continuation of any war, armed hostility or act of terrorism, provided, however that such matter referred to in clause (a), (b), or (c) above does not have a materially disproportionate effect to the Party or a Subsidiary (if any) compared to other companies of similar size operating in the same industry as that Party;

- (74) **“Material Contracts”** shall mean: (i) all Contracts under which, as of and from the Closing Date, NAC would be required to perform services, deliver products or make payments with a value of more than \$10,000 within any twelve month period under each such Contract (or group of related Contracts) or be required to fulfill any other obligation at a cost in excess of \$10,000 within any twelve month period; (ii) all continuing Contracts to which NAC is a party for the purchase of materials, supplies, equipment or services which requires payment under that Contract of more than \$10,000 as of and from the Closing Date, except for purchases of inventories or services in the Ordinary Course that do not exceed one year in length and are on terms and conditions not more onerous than those usual and customary to the industry relating to the Business; (iii) all Contracts pursuant to which material NAC Intellectual Property is licensed by NAC or any predecessor in title; (iv) all Contracts pursuant to which loans, credit facilities, grants, subsidies and other forms of financial assistance in an amount in excess of \$10,000 are made available to either, and (e) all licensing Contracts which NAC estimates will generate revenues in excess of \$10,000 during the current fiscal year;
- (75) **“material fact”** has the meaning ascribed thereto in the *Securities Act* (Alberta), as the same may be amended or re-enacted from time to time, including all regulations promulgated thereunder;
- (76) **“Misrepresentation”** has the meaning ascribed thereto under Applicable Securities Laws;
- (77) **“NAC”** means National Access Cannabis Corp., a corporation incorporated under the Act;
- (78) **“NA Canada”** means National Access Canada Corp., a wholly-owned subsidiary of NAC incorporated under the *Canada Business Corporations Act*, RSC 1985, c C-44;
- (79) **“NAC Assets”** means all of the right, title, estate and interest in and to its property and assets, real and personal, moveable and immovable of whatsoever nature and kind and wheresoever situate of NAC and the NAC Subsidiaries;
- (80) **“NAC Disclosure Letter”** means the disclosure letter dated the date of this Agreement and all schedules, exhibits and appendices thereto, delivered by NAC to Brassneck delivered concurrently with this Agreement;
- (81) **“NAC Financial Statements”** means the following:
- (i) the audited consolidated financial statements of the Corporation for as at and for the year ended August 31, 2016 and as at August 31, 2015 and for the period from the date of incorporation on November 12, 2014 to August 31, 2015, and the unaudited condensed interim consolidated financial statements as at and for the three and six month periods ended February 28, 2017, all prepared in accordance with IFRS; and
 - (ii) the audited annual financial statements of Wilson Master Apps Inc. as at and for the year ended July 31, 2016 and as at and July 31, 2015 and for the period from the date of incorporation on February 26, 2015 to July 31, 2015 and the unaudited condensed interim financial statements as at and for the six month periods ended January 31, 2017 and 2016, all prepared in accordance with IFRS;

- (82) **“NAC Filing Statement Information”** means all information in respect of NAC and the NAC Subsidiaries required to be included in the Filing Statement under Applicable Securities Laws and the TSXV Policies;
- (83) **“NAC Financing”** means the brokered private placement of NAC of 24,000,000 Subscription Receipts at a price of \$0.25 per Subscription Receipt for aggregate gross proceeds of \$6,000,000 to close prior to the Transaction;
- (84) **“NAC Intellectual Property”** includes all Intellectual Property Rights of NAC and the NAC Subsidiaries and includes, but is not limited to the: NAC Intellectual Property Agreements, NAC Licensed Intellectual Property, and NAC Registered Intellectual Property Rights;
- (85) **“NAC Intellectual Property Agreements”** means any Contracts, permissions, and understandings of any kind or nature, under which NAC is (A) a licensee, acquires, or otherwise is authorized to access, use or practice, or is otherwise granted any right or immunity with respect to, any Intellectual Property Rights, or (B) a licensor, assigns, or otherwise authorizes the disclosure, use or practice of, or otherwise grants any right or immunity with respect to any Intellectual Property Rights;
- (86) **“NAC Licensed Intellectual Property”** means any Third Party Intellectual Property that is licensed to NAC. References to **“NAC Licensed Intellectual Property”** include a reference to the Intellectual Property Rights in such Intellectual Property;
- (87) **“NAC Name Change”** means the amendment to the articles of NAC pursuant to which NAC will change its name to “National Access Clinic Corp.” or such other name as may be agreed to by Brassneck and NAC, to be completed immediately prior to Closing;
- (88) **“NAC Options”** means the options to purchase NAC Shares pursuant to the NAC Stock Option Plan;
- (89) **“NAC Optionholders”** means the holders of NAC Options;
- (90) **“NAC Performance Warrants”** means the performance warrants of the Corporation, entitling one warrant holder to purchase up to 4,000,000 NAC Shares at a price of \$0.25 per share until July 1, 2019, provided certain contractual conditions are met;
- (91) **“NAC Products”** means all products or services produced, marketed, licensed, sold, distributed or performed by or on behalf of NAC or either of the NAC Subsidiaries and all products, product candidates, components or services currently under development by or on behalf of NAC or either of the NAC Subsidiaries;
- (92) **“NAC Registered Intellectual Property”** means all Canadian, international and foreign: (A) patents and patent applications (including provisional applications); (B) registered trademarks, applications to register trademarks or service marks, intent-to-use applications, or other registrations or applications related to trademarks or service marks; (C) registered Internet domain names; (D) registered copyrights and applications for copyright registration; and (E) any other Intellectual Property Rights that are the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by any Governmental Authority, in each case, owned by, or registered or filed in the name of, NAC or either of the Subsidiaries, and that have not expired, lapsed or been abandoned. The NAC Registered Intellectual Property

includes the Intellectual Property Rights listed in the NAC Disclosure Letter that are registered or applied for;

- (93) “**NAC Securityholders**” means the holders of Agent’s Warrants, NAC Shares, NAC Options, NAC Performance Warrants, Convertible Notes, and Broker Warrants;
- (94) “**NAC Shareholder Meeting**” means the annual and special meeting of NAC Shareholders to be held prior to the Closing Date;
- (95) “**NAC Shares**” means the common shares in the capital of NAC;
- (96) “**NAC Shareholders**” means the holders of NAC Shares;
- (97) “**NAC Stock Option Plan**” means the current option plan of NAC;
- (98) “**NAC Subsidiaries**” means NA Canada and Cannapply, collectively, and “**NAC Subsidiary**” means any one of them;
- (99) “**Open Source Materials**” means any Software that is distributed as "free software," "open source software" or under similar licensing or distribution terms (including but not limited to the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (CSL), the Sun Industry Standards License (SISL), the Apache License, and any license identified as an open source license by the Open Source Initiative (www.opensource.org));
- (100) “**Option Conversion Agreements**” means the agreements to be entered into prior to the Closing Date between NAC and each of the NAC Optionholders, pursuant to which the NAC Optionholders will agree to cancel all of their respective NAC Options in exchange for an equal number of Replacement Options, and “**Option Conversion Agreement**” means any one of them;
- (101) “**Order**” means any order (including any judicial or administrative order and the terms of any administrative consent), judgment, injunction, decree, ruling or award of any court, arbitrator or Governmental Authority;
- (102) “**Ordinary Course**” means, with respect to an action taken by NAC, that such action is consistent with the past practice of NAC’s Business and is taken in the ordinary course of the normal day-to-day operation of the Business and operations of NAC;
- (103) “**Outside Date**” means the earlier of: (i) the date that is 75 days from the closing of the NAC Financing; and (ii) September 30, 2017, or such other date as may be agreed upon by the Parties in writing;
- (104) “**Party**” means each of Brassneck, NAC and Brassneck Subco and “**Parties**” means all of them, collectively;
- (105) “**Performance Escrow Agreements**” means the agreements between NAC, each holder of Performance Shares and an escrow agent providing for holding in escrow and release from escrow of shares of the Corporation following the achievement of milestones as further described in the agreements, and “**Performance Escrow Agreement**” means any one of these;

- (106) **“Performance Shares”** means the 10,125,000 NAC Shares issued and outstanding as of the date hereof or to be issued and outstanding prior to the Closing, issued pursuant to the Performance Share Agreements and subject to and held in escrow pursuant to the Performance Escrow Agreements, such NAC Shares to be released from such escrow in accordance with the Performance Escrow Agreement applicable to each holder of Performance Shares;
- (107) **“Performance Share Agreements”** means the consulting, employment, referral or other agreements between NAC and certain Persons providing for the issuance of Performance Shares to such Persons in accordance the milestones and objectives set out in such applicable agreement;
- (108) **“Permitted Encumbrances”** shall mean: (i) Encumbrances for taxes, assessments or other charges not yet due and payable; (ii) statutory Encumbrances of landlords, carriers, warehousemen, mechanics, materialmen and other similar liens imposed by Applicable Law, which are incurred in the Ordinary Course; (iii) Encumbrances incurred in the Ordinary Course in connection with workers’ compensation, unemployment insurance and other types of social security; (iv) Encumbrances to secure performance obligations incurred in connection with tenders, statutory obligations, surety, stay, customs and appeals (or commitments in respect thereto), bids, government contracts, trade contracts, performance and return of money bonds and other similar performance obligations; (v) deposits made in the Ordinary Course; (vi) any form of security granted by NAC except to secure indebtedness for a credit facility or other indebtedness which is disclosed in writing in the NAC Disclosure Letter; and (vii) any form of security by granted by NAC to Brassneck pursuant to the Bridge Loan.
- (109) **“Person”** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status;
- (110) **“Personnel Obligations”** means any obligations or liabilities of a Party or any of its Subsidiaries to pay any amount to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors’ fees in the Ordinary Course, in each case in amounts consistent with historic practices and obligations or liabilities in respect of insurance or indemnification contemplated by this Agreement or arising in the Ordinary Course of business and, without limiting the generality of the foregoing, Personnel Obligations shall include the obligations of such Party or any of its Subsidiaries to directors, officers, employees and consultants: (i) for payments on or in connection with any change in control of such Party pursuant to any change in control agreements, policies or arrangements, including the payments specified herein; and (ii) for any special incentive bonus payments and commitments;
- (111) **“PI”** means PI Financial Corp.;
- (112) **“Qualifying Transaction”** has the meaning ascribed thereto in TSXV Policy 2.4;
- (113) **“Registrar”** means the British Columbia Registrar of Companies;
- (114) **“Regulation D”** means Regulation D promulgated under the U.S. *Securities Act of 1933*;
- (115) **“Regulation S”** means Regulation S promulgated under the U.S. *Securities Act of 1933*;

- (116) **“Regulatory Approval”** means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over any Party or the Subsidiary of any Party which is required or advisable to be obtained in order to permit the Transaction to be effected, including, without limitation, approval of the Exchange and **“Regulatory Approvals”** means all such approvals, consents, waivers, permits, orders or exemptions;
- (117) **“Release Notice”** means the notice to be delivered to the Escrow Agent by Brassneck, NAC and the Agents upon satisfaction of the Escrow Release Conditions;
- (118) **“Replacement Option”** means the options to be issued to the NAC Optionholders pursuant to the Option Conversion Agreements, wherein each option shall provide for the holder thereof to acquire one Resulting Issuer Share on the same terms as the NAC Option, subject to adjustment in certain circumstances;
- (119) **“Reporting Jurisdictions”** means Alberta, British Columbia, and Ontario;
- (120) **“Resulting Issuer”** means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin;
- (121) **“Resulting Issuer Agent’s Warrants”** means the non-transferable share purchase warrants of the Resulting Issuer to be issued to the Agents in connection with the Transaction in exchange for the unexercised Agent’s Warrants, each Resulting Issuer Agent’s Warrant to be exercisable to acquire one Resulting Issuer Share for a period of two years following the closing of the NAC Financing at an exercise price of \$0.25 per Resulting Issuer Share, subject to adjustment in certain events;
- (122) **“Resulting Issuer Performance Warrants”** means the non-transferable share purchase warrants of the Resulting Issuer to be issued to the holder of NAC Performance Warrants in connection with the Transaction in exchange for the unexercised NAC Performance Warrants, each Resulting Issuer Agent’s Warrant to be exercisable to acquire one Resulting Issuer Share until July 1, 2019 at an exercise price of \$0.25 per Resulting Issuer Share, subject to adjustment in certain events and provided certain contractual conditions are met;
- (123) **“Resulting Issuer Broker Warrants”** means the non-transferable share purchase warrants of the Resulting Issuer to be issued to PI in connection with the Transaction in exchange for the unexercised Broker Warrants, each Resulting Issuer Broker Warrant to be exercisable to acquire one Resulting Issuer Share until April 11, 2019, at an exercise price of \$0.20 per Resulting Issuer Share, subject to adjustment in certain events;
- (124) **“Resulting Issuer Escrow Shares”** means the Resulting Issuer Shares to be held in escrow pursuant to TSXV Policy 5.4;
- (125) **“Resulting Issuer Shares”** means common shares in the capital of the Resulting Issuer, and, for greater certainty, includes the Brassneck Shares to be issued in connection with the Brassneck Share Split and in exchange for NAC Shares at Closing of the Transaction;
- (126) **“Securities Authorities”** means the Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission, and appropriate securities commissions, similar regulatory authorities in Canada and each of the applicable provinces and territories thereof, and including the TSXV;

- (127) “**Securities Exchange**” means the exchange of NAC Shares for Brassneck Shares and other steps to be completed pursuant to Section 2.2(1) hereof;
- (128) “**SEDAR**” means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators;
- (129) “**Subscription Receipts**” means the subscription receipts of NAC issued under the NAC Financing, each of which shall be deemed to be exercised and converted into one NAC Share immediately prior to Closing of the Transaction, without payment of any additional consideration and without further action on the part of the holder thereof, upon satisfaction of the Escrow Release Conditions and delivery of the Release Notice, subject to adjustment in certain events;
- (130) “**Subscription Receipt Agreement**” means the subscription receipt agreement between NAC, the Agents and the Escrow Agent providing for the creation of, and governing the terms of, the Subscription Receipts;
- (131) “**Subsidiary**” has the meaning ascribed thereto in the Act;
- (132) “**Tax**” and “**Taxes**” means, with respect to any Person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all value added taxes, GST, capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes, payroll taxes, employment taxes, pension plan premiums for government administered pension plans; excise, severance, social security premiums, workers compensation premiums, unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;
- (133) “**Taxing Authority**” means any Governmental Authority responsible for the imposition of any Tax (domestic or foreign) and includes the Canada Revenue Agency;
- (134) “**Tax Laws**” means any Applicable Law that imposes Taxes or deals with the administration or enforcement of Liabilities for Taxes;
- (135) “**Tax Returns**” means all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached schedules, estimated tax returns, withholding tax returns, and information returns and reports);
- (136) “**Third Party Intellectual Property**” means any and all Intellectual Property Rights owned by a third party;
- (137) “**Transaction**” means the reverse takeover of Brassneck by NAC whereby Brassneck will acquire 100% of the issued and outstanding securities of NAC by way of a “three cornered” amalgamation involving Brassneck, NAC and Brassneck Subco, which is expected to constitute the Qualifying Transaction of Brassneck;

- (138) “**TSXV Escrow Agreement**” means an escrow agreement to be entered into between certain securityholders of NAC, the Resulting Issuer and the Escrow Agent pursuant to which certain securities held by various NAC security holders will be subject to escrow in accordance with applicable TSXV Policies;
- (139) “**TSXV**” or “**Exchange**” means the TSX Venture Exchange;
- (140) “**TSXV Policies**” means policies of the TSXV, as may be amended or restated from time to time;
- (141) “**TSXV Policy 2.4**” means TSXV Policy 2.4 – *Capital Pool Companies*;
- (142) “**TSXV Policy 5.4**” means TSXV Policy 5.4 – *Escrow, Vendor Consideration and Resale Restriction*;
- (143) “**United States**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
- (144) “**US Person**” includes a natural person resident in the United States, a partnership or corporation organized or incorporated under the laws of the United States, an estate of which any executor or administrator is a U.S. Person, a trust of which any trustee is a U.S. Person, an agency or branch of a foreign entity located in the United States; a non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and a partnership or corporation if (i) organized or incorporated under the laws of any foreign jurisdiction, and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the US Securities Act, unless it is organized or incorporated, and owned, by “Accredited Investors” who are not natural persons, estates or trusts; and
- (145) “**US Securities Act**” means the United States *Securities Act of 1933*, as may be amended or re-enacted from time to time.

Section 1.2 Singular, Plural, etc.

Words in this Agreement importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

Section 1.3 Deemed Currency

In the absence of a specific designation of any currency, any undescribed dollar amount herein shall be deemed to refer to the lawful money of Canada.

Section 1.4 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents hereto and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement to Articles and Sections refer to Articles and Sections of and to this Agreement in which such reference is made.

Section 1.5 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

Section 1.6 Certain Phrases, Derivatives, etc.

In this Agreement (i) the words “including” and “includes” mean “including (or includes) without limitation”, and (ii) the phrase “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”, and (iii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”.

Section 1.7 Accounting Terms

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with IFRS, such reference will be deemed to be to the IFRS from time to time approved by the Canadian Institute of Chartered Accountants, the Canadian Accounting Standards Board or any successor institute, and applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

Section 1.8 Statutory References

Any reference in this Agreement to any statute or any Section thereof will, unless otherwise expressly stated, be deemed to be a reference to such statute or Section as amended, restated or re-enacted from time to time. References to any agreement or document will be to such agreement or document (together with all appendices, schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

Section 1.9 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of NAC or words to like effect, it shall be deemed to refer to the actual knowledge of Chuck Rifici, Chairman of the Board of Directors of NAC; Mark Goliger, Chief Executive Officer of NAC, and Michael Best, Chief Financial Officer of NAC, after due inquiry. Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Brassneck or words to like effect, it shall be deemed to refer to the actual knowledge of Connor Cruise, Chief Executive Officer and Chief Financial Officer of Brassneck, after due inquiry.

Section 1.10 Incorporation of Schedules

The following schedules attached hereto are incorporated into and form an integral part of this Agreement:

- Schedule A – Amalgamation Application
- Schedule B – Articles of Amalco
- Schedule C – NAC Financial Statements

ARTICLE 2 THE AMALGAMATION

Section 2.1 Agreement to Amalgamate

- (1) Each Party hereby agrees, unless such steps have already been completed, that as soon as reasonably commercially practicable after the date hereof or at such other time as is specifically indicated below in this Section 2.1, and subject to the terms and conditions of this Agreement and subject to the approval of the Exchange, it shall take the following steps indicated for it:
 - (i) NAC and Brassneck Subco hereby agree to amalgamate by way of statutory amalgamation under the Act on the terms and subject to the conditions contained in this Agreement and the Brassneck Parties hereby covenant and agree to issue the securities required to be issued in connection with the Transaction as set out in Section 2.2(1) below;
 - (ii) on or prior to the Closing Date, Brassneck shall complete the Brassneck Share Split and the Brassneck Name Change;
 - (iii) on or prior to the Closing Date, NAC shall complete the NAC Name Change;
 - (iv) immediately prior to the Closing Time, pursuant to the Subscription Receipt Agreement, all of the issued and outstanding Subscription Receipts will be converted to NAC Shares in accordance with their terms;
 - (v) immediately prior to the Closing Time, all of the issued and outstanding Convertible Notes will be converted to NAC Shares in accordance with their terms;
 - (vi) as soon as practicable after the Closing Date, in accordance with normal commercial practice, Brassneck shall issue certificates representing the appropriate number of securities required to be issued in connection with the Transaction as set out in Section 2.2(1) below; and
 - (vii) the Parties shall take any other action and do anything, including the execution of any other agreements, documents or instruments, that are necessary or useful to give effect to the Transaction.

Section 2.2 Securities Exchange and Related Matters

- (1) **Securities Exchange.** The Parties shall cause the Amalgamation Application to be filed to effect the Amalgamation. Under the Amalgamation:
 - (i) NAC and Brassneck Subco will amalgamate and continue as Amalco;
 - (ii) at the Closing Time, pursuant to the Option Conversion Agreements, all of the outstanding NAC Options that are not exercised prior to the Closing Date shall be cancelled and the NAC Optionholders shall be issued Replacement Options in accordance with the Exchange Ratio;

- (iii) at the Closing Time, all of the outstanding Agent's Warrants shall be cancelled and the holders thereof shall be issued Resulting Issuer Agent's Warrants in accordance with the Exchange Ratio;
 - (iv) at the Closing Time, all of the outstanding Broker Warrants shall be cancelled and the holders thereof shall be issued Resulting Issuer Broker Warrants in accordance with the Exchange Ratio;
 - (v) at the Closing Time, all of the outstanding NAC Performance Warrants shall be cancelled and the holders thereof shall be issued Resulting Issuer Performance Warrants in accordance with the Exchange Ratio;
 - (vi) at the Closing Time, each NAC Share (including the NAC Shares issued pursuant to the Warrant Acceleration Agreements and upon the conversion of the Subscription Receipts and Convertible Notes) will be cancelled and replaced by one fully paid and non-assessable Resulting Issuer Share (such ratio of 1:1 being the "**Exchange Ratio**");
 - (vii) the terms of the Agent's IPO Warrants will continue unamended, subject to adjustment pursuant to the Brassneck Share Split;
 - (viii) the Brassneck Subco Shares will be cancelled and replaced by Amalco Common Shares on the basis of one Amalco Common Share for each Brassneck Subco Common Share;
 - (ix) as consideration for the issuance of the Brassneck Shares to effect the Amalgamation, Amalco will issue to Brassneck one Amalco Common Share for each Brassneck Share issued to the previous holders of NAC Shares;
 - (x) all of the property and assets of each of Brassneck Subco and NAC will be the property and assets of Amalco, and Amalco will be liable for all of the liabilities and obligations of each of Brassneck Subco and NAC; and
 - (xi) Amalco will be a wholly-owned subsidiary of Brassneck.
- (2) **No Fractional Securities.** No fractional Resulting Issuer Shares, Replacement Options, Resulting Issuer Agent's Warrants, Resulting Issuer Performance Warrants or Resulting Issuer Broker Warrants will be issued pursuant to this Agreement. In the event that an NAC Securityholder would otherwise be entitled to a fractional security hereunder, the number of securities issued to such NAC Securityholder shall be rounded up to the next greater whole number of shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all NAC securities registered in the name of or beneficially held by such NAC Securityholder or their nominee shall be aggregated.
- (3) **Restrictions on Securities.** The parties acknowledge and agree that foregoing securities of the Resulting Issuer issued pursuant to the terms and conditions provided herein will be subject to compliance with Applicable Securities Laws.
- (4) **US Legends on Brassneck Securities.** The Parties acknowledge and agree that, in addition to any other legends affixed to securities of the Resulting Issuer issued in connection with the Transaction upon the original issuance of securities of Brassneck to any U.S. Person in

connection with the Amalgamation (and including any Resulting Issuer Shares that may be issued upon exercise of convertible securities), and until such time as the same is no longer required under applicable requirements of the US Securities Act or applicable state securities laws, certificates representing such securities and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legend: **“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) (1) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT, IF AVAILABLE, OR (2) IN ACCORDANCE WITH RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE; OR (D) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, PROVIDED THAT PRIOR TO ANY TRANSFER PURSUANT TO CLAUSES (C) OR (D) ABOVE, AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE CORPORATION SHALL FIRST BE PROVIDED TO THE EFFECT THAT SUCH TRANSFER DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY STATE SECURITIES LAW. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”**,

provided, that if any such securities are being sold pursuant to Rule 904 of Regulation S at a time when Brassneck (or the Resulting Issuer) is a “foreign issuer” within the meaning of Regulation S, the legend may be removed by the holder providing a declaration to the registrar and transfer agent for the applicable securities in a form prescribed by Brassneck (or the Resulting Issuer) as to matters confirming that the sale is being made in compliance with Rule 904 of Regulation S, together with such additional documentation as Brassneck (or the Resulting Issuer) or the transfer agent may require, including, if required by Brassneck’s transfer agent, an opinion of counsel of recognized standing or other evidence reasonably satisfactory to Brassneck (or the Resulting Issuer), to the effect that such legend is no longer required under applicable requirements of the 1933 Act; and provided, further, that, if the securities are being sold pursuant to Rule 144 under the 1933 Act, if available, the legend may be removed by delivery to the registrar and transfer agent for the applicable securities of an opinion of counsel, of recognized standing reasonably satisfactory to Brassneck (or the Resulting Issuer), that such legend is no longer required under applicable requirements of the US Securities Act or state securities laws; and

- (5) **Escrow Matters.** NAC shall use best efforts to arrange for each former NAC Shareholder that is required to have the Resulting Issuer Shares issued pursuant to Section 2.2(1) escrowed in accordance with TSXV Policies, to enter into and deliver to the Transfer Agent for filing with the Exchange a TSXV Escrow Agreement in respect of their Resulting Issuer Shares.

Section 2.3 Statutory Amalgamation Requirements

The Parties hereby agree as follows with respect to matters which the Act requires form part of this Agreement.

- (1) **Name.** The name of Amalco shall be “National Access Clinic Corp.” or such other name as may be agreed upon by the Parties in writing.
- (2) **Registered and Records Office.** The mailing and delivery addresses of the registered office and records office of Amalco, until changed in accordance with the provisions of the Act, shall be 1200 Waterfront Centre, 200 Burrard St, Vancouver, BC V7X 1T2.
- (3) **Authorized Capital.** The authorized share structure of Amalco shall consist of an unlimited number of common shares without par value as set out in the Notice of Articles included in the Amalgamation Application.
- (4) **Business.** There shall be no restrictions on the business which Amalco is authorized to carry on.
- (5) **Fiscal Year End.** The fiscal year end of Amalco shall be December 31 of each calendar year.
- (6) **Number of Directors.** The number of directors of Amalco shall, until changed in accordance with the Articles of Amalco, be one.
- (7) **Initial Directors.** The first sole director of Amalco shall be the individual whose name appears below:

<u>Name</u>	<u>Address</u>
Rocco Meliambro	[Redacted]
- (8) **Initial Officers.** The first officers of Amalco shall be the individuals whose names and titles appear below:

<u>Name</u>	<u>Title</u>	<u>Address</u>
Mark Goliger	Chief Executive Officer and Secretary	[Redacted]
Mike Best	Chief Financial Officer	[Redacted]
- (9) **Articles.** The Articles of Amalco, until repealed, amended or altered, shall be the Articles of Amalco in the form attached as Schedule B hereto.
- (10) **Stated Capital.** Upon completion of the Transaction, the stated capital of Amalco will be equal to the aggregate sum of the stated capital of the shares of each of the Amalgamating Corporations.
- (11) **Amendments to Structure.** Notwithstanding the foregoing, the parties hereto agree that the foregoing structure for the Amalgamation may be amended to accommodate certain tax planning and operational efficiencies of either Party provided that such amendments shall not have a detrimental effect on either Party and shall not negatively impact the business combination of Brassneck and NAC evidenced hereby. In no event shall the structure be amended unless such amendment is permitted by the TSXV.
- (12) **Filing of Documents.** Upon the shareholders of each of the Amalgamating Corporations approving this Agreement by special resolution in accordance with the Act, the Amalgamating Corporations shall jointly file with the Registrar under the Act, the Amalgamation Application in

the Form of Schedule A attached hereto and such other documents as may be required to effect the Amalgamation.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations of NAC

NAC represents and warrants to Brassneck and Brassneck Subco as follows, and acknowledges and confirms that Brassneck and Brassneck Subco are each relying upon the representations and warranties in connection with the transactions contemplated by this Agreement, which representations and warranties are made as of the date of this Agreement and as of the Closing Date:

Corporate Matters

- (1) **Incorporation and Qualification.** NAC and each of the NAC Subsidiaries is a corporation duly incorporated and existing under the statutes of their applicable jurisdiction of incorporation, and NAC and each of the NAC Subsidiaries has the corporate power to own and operate their respective assets, carry on the Business, and NAC has the corporate power to enter into and perform its obligations under this Agreement, and NAC and each of the NAC Subsidiaries is current and up-to-date with all filings required to be made by it in each applicable jurisdiction. All filings and fees required to be made by NAC pursuant to Applicable Laws, if any, have been made and paid and such filings were true and accurate as at the respective dates thereof.
- (2) **Qualification to Conduct the Business.** Other than extra-provincial corporate registrations in various applicable provinces of Canada, NAC and each of the NAC Subsidiaries has all requisite corporate capacity, power and authority, and is duly qualified, licensed or registered to or possesses all material certificates, authority, permits and licenses issued by the appropriate Governmental Authority to conduct the Business as now conducted by it in all jurisdictions in which the nature of the NAC Assets or the Business makes such qualification necessary, and which it shall conduct and to own the NAC Assets and is in compliance in all material respects with such certificates, authorities, permits or licenses and has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority, permit or license which, singly or in the aggregate, if the subject of an unfavourable decision, order, finding or ruling, would materially and adversely affect the conduct of the business, operations, financial condition, income or future prospects of NAC.
- (3) **Validity and Enforceability of the Agreement.**
 - (i) NAC has full corporate power, capacity and authority to undertake all steps of the Transaction contemplated in this Agreement and the Ancillary Agreements and to carry out its obligations under this Agreement and the Ancillary Agreements.
 - (ii) The transactions under this Agreement or any Ancillary Agreement, do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of the Governing Documents of NAC or any Contracts or instruments to which NAC or either of the NAC Subsidiaries is a party or pursuant to which any of the NAC Assets or the Business may be affected.

- (iii) The transactions under this Agreement or any Ancillary Agreement, do not and will not result in a breach of, or cause the termination or revocation of, any Authorization held by NAC or the NAC Subsidiaries, or necessary for the operation of the Business.
- (iv) The transactions under this Agreement or any Ancillary Agreement, do not and will not result in the violation of any Applicable Law or judgment, decree, order, or award of any Governmental Authority applicable to NAC or the NAC Subsidiaries.
- (4) **Required Authorizations.** Except for Authorization of the Exchange and any filings and notices in connection therewith, there is no requirement to make any filing with, give any notice to, or obtain any Authorization of, any Governmental Authority as a condition to NAC's lawful completion of the transactions contemplated by this Agreement.
- (5) **Execution and Binding Obligation.** This Agreement and each Ancillary Agreement to which the Corporation is a party entered into on or prior to the Closing of the Transaction hereunder has been duly executed and delivered by the Corporation, and constitute legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with its terms subject only to any limitation under Applicable Laws relating to: (i) bankruptcy, winding-up, insolvency, arrangement and other laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (6) **Authorized and Issued Securities.**
 - (i) The authorized and issued capital of NAC consist of an unlimited number of NAC Shares, of which: (i) 69,687,568 NAC Shares (including the Performance Shares issued to date) are issued and outstanding as of the date hereof; and (ii) up to 108,012,568 NAC Shares (including the Performance Shares) will be issued and outstanding (and no more) immediately prior to the Closing (for greater certainty after giving effect to the conversion of the Convertible Notes and the Subscription Receipts). All NAC Shares have been or will be duly issued and shall be outstanding as fully paid and non-assessable. All of the NAC Shares have been issued in compliance with all Applicable Laws including, without limitation, Applicable Securities Laws.
 - (ii) The authorized and issued capital of Cannapply consists of an unlimited number of Class "A" Voting Common Shares and Class "B" Non-Voting Common Shares, of which 225 Class "A" Voting Common Shares are issued and outstanding as at the date hereof (and no more). All 225 Class "A" Voting Common Shares of Cannapply are held by National Access Cannabis Corp. and have been duly issued and shall be outstanding as fully paid and non-assessable. All of the shares of Cannapply have been issued in compliance with all Applicable Laws including, without limitation, Applicable Securities Laws.
 - (iii) The authorized and issued capital of NA Canada consists of an unlimited number of Class A Common Shares, an unlimited number of Class B Common Shares, an unlimited number of Class C Common Shares, an unlimited number of Class A Preference Shares, an unlimited number of Class B Preference shares and an unlimited number of Class C Preference Shares, of which 300 Class A Common Shares and 400,000 Class A Preference Shares are issued and outstanding as at the date hereof (and no more). All 300 Class A Common Shares and 400,000 Class A Preference Shares of NA Canada are held by National Access Cannabis Corp. and have been duly issued and shall be outstanding as fully paid and non-assessable. All of the shares of MA Canada have been issued in

compliance with all Applicable Laws including, without limitation, Applicable Securities Laws.

- (7) **Agreements to Acquire Securities.** Except as contemplated by this Agreement, neither NAC or any of the NAC Subsidiaries is a party to and or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement (whether by Applicable Law, pre-emptive or contractual), for the purchase, subscription or issuance of any shares or securities convertible into or exchangeable for shares other than, as set forth below:
- (i) 7,575,000 NAC Options;
 - (ii) 24,000,000 Subscription Receipts issuable in connection with the NAC Financing;
 - (iii) an aggregate principal amount of \$1,000,000 of Convertible Notes exercisable into 5,000,000 NAC Shares;
 - (iv) 150,000 Broker Warrants issued pursuant to the Convertible Note Offering, exercisable into an equivalent number of NAC Shares;
 - (v) 4,000,000 Performance Warrants; and
 - (vi) 960,000 Agents Warrants issued to the Agents of the NAC Financing, exercisable into an equivalent number of NAC Shares;

and all of the foregoing securities of NAC have been issued in compliance with all Applicable Laws including, without limitation, Applicable Securities Laws.

- (8) **Associates.** Neither NAC nor any of the NAC Subsidiaries have any associates as defined in the *Securities Act* (Alberta), and neither NAC is or any of the NAC Subsidiaries is a partner, co-tenant, joint-venturer or otherwise a participant in any partnership, joint venture, co-tenancy or other similarly joint owned business.
- (9) **Subsidiaries.** The Corporation has two wholly-owned Subsidiaries, namely Cannapply and NA Canada, and other than the NAC Subsidiaries holds no shares or other ownership, equity or proprietary interests in any other Person, including any joint venture.
- (10) **Required Approvals.** The entering into and the performance by NAC of the transactions contemplated herein and in the Filing Statement:
- (i) do not require any Regulatory Approval, except Exchange approval;
 - (ii) will not contravene any statute or regulation of any Government Authority which is binding on NAC, where such contravention would materially and adversely affect the business, operations, capital or condition (financial or otherwise) of NAC; and
 - (iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the Governing Documents or resolutions of NAC or any mortgage, note, indenture, contract or agreement, instrument, lease or other document to which NAC is a party, or any judgment, decree or order or any term or

provision thereof, which breach, conflict or default would materially and adversely affect the business, operations, capital or condition (financial or otherwise) of NAC.

- (11) **Corporate Records.** The Books and Records of NAC and the NAC Subsidiaries are complete and accurate and all corporate proceedings and actions reflected in such Books and Records have been conducted or taken in compliance with all Applicable Laws and with the Governing Documents of the Corporation or the NAC Subsidiaries, as applicable. Without limiting the generality of the foregoing: (i) the minute books contain complete and accurate minutes of all meetings of the directors and shareholders held since incorporation and all such meetings were properly called and held; (ii) the minute books contain all resolutions passed by the directors and shareholders (and committees, if any) and all such resolutions were properly passed; (iii) the share certificate books, register of shareholders and register of transfers are complete and accurate, all transfers have been properly completed and approved and any tax payable in connection with the transfer of any securities has been paid; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers were properly elected or appointed, as the case may be.
- (12) **Voting.** NAC is not a party to any agreement nor is NAC aware of any agreement which in any manner affects the voting control of any of the NAC Shares or other securities of NAC.
- (13) **Shareholders Agreements.** There are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the NAC Shares.
- (14) **Accurate Disclosure.** No representation, warranty or statement of NAC in this Agreement or the Filing Statement contains or will contain at the Closing Time any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which made, not misleading.

Financial Matters

- (15) **Dividends and Distributions.** Since the date of its incorporation or formation, as applicable NAC has not, directly or indirectly, declared or paid any dividend or declared or made any other distribution on any of its shares or securities of any class, or, directly or indirectly, redeemed, purchased or otherwise acquired any of its shares or securities or agreed to do any of the foregoing.
- (16) **Distribution Restrictions.** There is not, in its Governing Documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which NAC is a party, any restriction upon or impediment to the declaration or payment of dividends by the directors of Brassneck or the payment of dividends by NAC to the holders of their respective securities.
- (17) **Financial Records.** All accounting and financial Books and Records of the Corporation have been fully, properly and accurately kept and completed in all material respects. All material financial transactions of the Corporation have been accurately recorded in the Books and Records of the Corporation for the periods noted therein and such books and records fairly present the financial position and the affairs of the Corporation for the periods noted therein. The Books and Records and other data and information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which are not available to the Corporation in the Ordinary Course.

(18) **Financial Statements.** The NAC Financial Statements, including the notes thereto, have been prepared in accordance with GAAP, applied on a basis consistent with past practices, and present fairly, in all material respects:

- (i) the assets, liabilities, (whether accrued, absolute, contingent or otherwise) and financial position of the Corporation as at the dates thereof;
- (ii) the income and expenses of the Corporation during the periods covered by the NAC Financial Statements; and
- (iii) do not omit to state any material fact that is required by GAAP or by Applicable Laws to be stated or reflected therein or which is necessary to make the statements contained therein not misleading,

and a true, correct and complete copy of the NAC Financial Statements is appended as Schedule B hereto.

(19) **Bankruptcy.** Neither the Corporation nor any of the NAC Subsidiaries has made any assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Corporation and the NAC Subsidiaries have not initiated proceedings with respect to a compromise or arrangement with their respective creditors, or for winding-up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of the Corporation, the NAC Subsidiaries or the NAC Assets and no execution or distress has been levied on any of the NAC Assets, nor have proceedings been commenced in respect of any of the foregoing. The Corporation or the NAC Subsidiaries have not incurred any liability or not exceeded any assets necessary for the operation of the Business as a result of the dissolution or bankruptcy of any corporation that was controlled by the Corporation at any time.

(20) **Absence of Undisclosed Liabilities.** Except to the extent reflected or reserved against in the NAC Financial Statements, or incurred in the Ordinary Course since the most recent date of the NAC Financial Statements, the Corporation does not have any material outstanding indebtedness or any material Liabilities or obligations (whether accrued, accruing, absolute, contingent or otherwise) and, except for such Liabilities which may be contemplated hereunder or which Brassneck approves before being incurred, any Liabilities or obligations incurred in the Ordinary Course since the most recent date of the NAC Financial Statements, will not have had a Material Adverse Effect on the financial condition of the Corporation as at the Closing Date.

(21) **Absence of Changes.** Since the most recent date of the NAC Financial Statements, there has not been:

- (i) any change in the condition or the operation of the Business, Assets or financial affairs of the Corporation or the NAC Subsidiaries; or
- (ii) any damage, destruction or loss, labour unrest or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Purchaser,

which, individually or in the aggregate, may have a Material Adverse Effect on the Business or Assets of the Corporation or the prospects thereof.

- (22) **No Liabilities Resulting in Encumbrances.** There is no indebtedness or Liability of the Corporation or the NAC Subsidiaries to any Person which might, by operation of law or otherwise, now or hereafter constitute or be capable of resulting in or forming an Encumbrance, except a Permitted Encumbrance, upon any of the NAC Assets.
- (23) **Change of Control Payments.** Neither NAC or any of the NAC Subsidiaries is a party to any written management contract or employment agreement, including without limitation, any contract which provides for the payment of severance in lieu of notice upon termination thereof or for a right of payment in the event of a change in control of NAC.
- (24) **Capital Expenditures.** NAC and the NAC Subsidiaries are not committed to make any capital expenditures or commitment therefor which individually or in the aggregate exceeds \$20,000 in excess of the amount budgeted for same in the capital expenditure budget presented to the Purchaser.
- (25) **Finder's Fees.** Other than in connection with the NAC Financing, there is no person, firm or corporation acting or purporting to act at the request of NAC, who is entitled to any brokerage or finder's fee in connection with the transactions contemplated herein.
- (26) **Indebtedness.** Neither NAC nor the NAC Subsidiaries are a party to any loan, bond, debenture, promissory note or other instrument evidencing indebtedness (demand or otherwise) for borrowed money or any other liability ("**Debt Instrument**") or any agreement, contract or commitment to create, assume or issue any Debt Instrument other than the Convertible Notes.
- (27) **Non-Arm's Length Debt.** NAC does not have any loan or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is defined in the ITA), other than as set forth in the NAC Disclosure Letter.

General Matters Relating to the Business

- (28) **Restrictions.** Neither NAC or any of the NAC Subsidiaries is a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity or to solicit business from any Persons or in any geographical area or otherwise to conduct the Business as NAC may determine. Neither NAC or any of the NAC Subsidiaries is subject to any legislation or any judgment, order or requirement of any court or governmental authority which is not of general application to Persons carrying on a business similar to the Business. There are no facts or circumstances which could materially adversely affect the ability of NAC or the NAC Subsidiaries to continue to operate the Business as presently conducted following the completion of the transactions contemplated by this Agreement. Neither NAC or the NAC Subsidiaries is a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of such entity to compete in any line of business, or to transfer or move any of its assets or operations, or which materially or adversely affects the Business practices, operations or condition of NAC.
- (29) **Conduct of Business in the Ordinary Course.** Since the most recent date of the NAC Financial Statements, the Business has been carried on in the Ordinary Course. Without limiting the generality of the foregoing, neither the Corporation nor the NAC Subsidiaries have:

- (i) sold, transferred or otherwise disposed of any NAC Assets except for: (a) NAC Assets which are obsolete and which individually or in the aggregate do not exceed \$10,000, or (b) inventory sold in the Ordinary Course;
- (ii) made any capital expenditure or commitment therefor which individually or in the aggregate exceeded \$50,000 in excess of the amount budgeted for same in the capital expenditure budget presented to the Purchaser for new clinic openings;
- (iii) discharged any secured or unsecured obligation or liability (whether accrued, absolute, contingent or otherwise) which individually or in the aggregate exceeded \$50,000 save and except for any discharges in the Ordinary Course;
- (iv) increased its indebtedness for borrowed money or made any loan or advance, or assumed, guaranteed or otherwise became liable with respect to the liabilities or obligation of any Person;
- (v) made any bonus or profit sharing distribution or similar payment of any kind under a Plan, except as may be required by the terms of a Material Contract;
- (vi) removed any auditor or director or terminated any officer or other Employee;
- (vii) written off as uncollectible any Accounts Receivable which individually or in the aggregate is material to the Corporation or is in excess of \$25,000;
- (viii) granted any general increase in the rate of wages, salaries, bonuses or other remuneration of any Employees of the Corporation except as may be required by the terms of a Material Contract;
- (ix) suffered any extraordinary loss, whether or not covered by insurance;
- (x) suffered any material shortage or any cessation or interruption of inventory shipments, supplies or ordinary services;
- (xi) cancelled or waived any material claims or rights;
- (xii) compromised or settled any Legal Proceeding relating to the NAC Assets, the Business or the Corporation;
- (xiii) cancelled or reduced any of its insurance coverage;
- (xiv) experienced any resignation of any Employees; or
- (xv) authorized, agreed or otherwise committed, whether or not in writing, to do any of the foregoing;

In addition, the Corporation has not: (a) made, nor has agreed to make, any change in any method of accounting or auditing practice, or (b) amended or approved any amendment to its Governing Documents or capital structure.

- (30) **No Material Adverse Change.** Since the most recent date of the NAC Financial Statements, there has not been any Material Adverse Change in the affairs, prospects, operations or condition

of the Corporation, the NAC Subsidiaries, the Assets or the Business and no event has occurred or circumstance exists which may result in such a Material Adverse Change.

- (31) **Compliance with Applicable Laws.** The Corporation and each of the NAC Subsidiaries is conducting the Business in compliance with all Applicable Laws other than acts of non-compliance which, in the aggregate, are not material, and the Corporation has not received notice that it or the NAC Subsidiaries has not conducted the Business or any past businesses in compliance with Applicable Laws.
- (32) **Authorizations.** The NAC Subsidiaries owns, holds, possesses or lawfully uses in the operation of the Business, all material Authorizations which are, in any manner, necessary to conduct the Business as presently or previously conducted or for the ownership and use of the NAC Assets in compliance with all Applicable Laws. The only Authorizations material to the Corporation, the NAC Subsidiaries or the Business are the business licences for the operation of the Corporation's Clinics (the "**Material Authorizations**"). Each Material Authorization is valid, subsisting and in good standing. Neither the Corporation or either of the NAC Subsidiaries is in default or breach of any Material Authorization and, no proceeding is pending or to the knowledge of the Corporation, threatened to revoke or limit any Material Authorization. All Material Authorizations are renewable by their terms or in the Ordinary Course without the need for the Corporation or the NAC Subsidiaries to comply with any special rules or procedures, agree to any materially different terms or conditions or pay any amounts other than routine filing fees.
- (33) **Legal Proceedings.** Other than as set out in the Disclosure Letter, there are no Legal Proceedings pending or, to the knowledge of NAC, contemplated or threatened, to which NAC or any of the NAC Subsidiaries is a party or to which the NAC Assets are or may become subject. Neither the Corporation nor either of the NAC Subsidiaries is subject to any judgment, Order or decree entered in any lawsuit or proceeding, nor has the Corporation nor either of the NAC Subsidiaries settled any claim prior to being prosecuted in respect of it. Neither the Corporation nor either of the NAC Subsidiaries is a plaintiff or complainant in any Legal Proceedings.
- (34) **Change of Law.** NAC is not aware of any pending or contemplated change to any Applicable Law or governmental position that would materially and detrimentally affect the Business of NAC as currently conducted or as contemplated to be conducted or the legal environment under which NAC operates.

Matters Relating to the Assets

- (35) **Sufficiency of Assets.** Upon completion of the Transaction, no other property rights are necessary for the proposed conduct of the Business after Closing in substantially the same manner as was conducted prior to Closing, other than those forming part of the NAC Assets being transferred to Amalco. There are no restrictions on the ability of NAC to use, transfer or otherwise exploit any such property rights, and NAC does not know of any claim or basis for a claim that may adversely affect such rights. With the exception of inventory in transit, all of the NAC Assets are situated at the Demised Premises.
- (36) **Ownership and Title to the Assets.** NAC is the owner of and has good and marketable title to all of the NAC Assets that it purports to own (whether real, personal, or mixed or whether tangible or intangible), and has legal and beneficial owners of the NAC Assets free and clear to the best of its knowledge of all Encumbrances whatsoever except for Permitted Encumbrances. No Persons other than NAC own any assets which are being used in the Business and there are no agreements

or commitments by NAC to purchase property or assets, other than in the ordinary course of the Business.

- (37) **Title Defects.** NAC has not received notice of any material defect in its or the NAC Subsidiaries title or claim to the NAC Assets or any notice from any third party claiming such an interest, and, for the period of time that NAC or the NAC Subsidiaries has owned the NAC Assets, as applicable, all material relevant obligations of NAC have been performed and observed;
- (38) **Cash Flow.** NAC or the NAC Subsidiaries have not assigned or otherwise encumbered the revenue, if any, derived from the NAC Assets;
- (39) **No Options, etc.** The NAC Assets are not subject to reduction by virtue of the conversion or other alteration of the interest of any third party under existing agreements created by, through or under NAC or the NAC Subsidiaries and no Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase or other acquisition from the Corporation or the NAC Subsidiaries of any of the NAC Assets other than pursuant to purchase orders for inventory sold in the Ordinary Course.
- (40) **Condition of Tangible Assets.** The buildings at the Demised Premises are structurally sound, and the equipment and other tangible personal property of the Corporation are in good operating condition and repair, having regard to their use and age, and all are adequate and suitable for the uses to which they are being put. None of such buildings, equipment or other property is in need of maintenance or repairs except for ordinary routine maintenance and repairs that are not material in nature or cost.
- (41) **Leases.** Neither the Corporation or the NAC Subsidiaries is a party to, or under any agreement to become a party to, any lease or facilities use permit with respect to real property, other than the Leases. The Leases are in good standing, and, to the knowledge of the Corporation, create a good and valid right to use the Demised Premises thereby demised and is in full force and effect without amendment. With respect to the Leases: (i) all rents and additional rents have been paid, (ii) no waiver, indulgence or postponement of the lessee's obligations has been granted by the lessor, (iii) there exists no event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default under the Leases, and (iv) all of the covenants to be performed by any party (other than the Corporation) under the Leases have been fully performed. The Demised Premises are adequate and suitable for the purposes for which they are presently being used and the Corporation and the NAC Subsidiaries, as applicable, has adequate rights of ingress and egress into the Demised Premises for the operation of the Business in the Ordinary Course. A true and complete copy of each of the Leases has been delivered to the Purchaser.
- (42) **Material Contracts.** Except for the Material Contracts provided to the Purchaser, the Leases and the insurance policies set out in the NAC Disclosure Letter, there are no material documents and Contracts currently in effect under and by virtue of which NAC or the NAC Subsidiaries is entitled to the NAC Assets or which otherwise related to or affect the interest of NAC or the NAC Subsidiaries in the NAC Assets, and the Corporation is not a party to or bound by:
 - (i) any distributor, sales, advertising, agency or manufacturer's representative Contract;
 - (ii) any continuing Contract for the purchase of materials, supplies, equipment or services involving in the case of any such Contract more than \$50,000 over the life of the Contract;

- (iii) any Contract that expires or may be renewed at the option of any Person other than the Corporation, so as to expire more than one year after the date of this Agreement;
 - (iv) any trust indenture, mortgage, promissory note, loan agreement or other Contract for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP;
 - (v) any Contract for capital expenditures in excess of \$50,000, individually, nor more than \$200,000 in the aggregate;
 - (vi) any confidentiality, secrecy or non-disclosure Contract or any Contract with a competitor of the Business, or any Contract limiting the freedom of the Corporation or the NAC Subsidiaries to engage in any line of business, compete with any other Person, operate its assets at maximum production capacity or otherwise conduct its business or with a competitor of Business;
 - (vii) any Contract pursuant to which the Corporation or the NAC Subsidiaries is a lessor of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property having a payment obligation in excess of \$50,000, per year;
 - (viii) any Contract with any Person with whom the Corporation does not deal at arm's length within the meaning of the ITA;
 - (ix) any agreement of guarantee, support, indemnification, assumption or endorsement of, or any similar commitment with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or indebtedness of any other Person;
 - (x) any Contract made out of the Ordinary Course; or
 - (xi) any Contract which requires the consent of a third party prior to their being any change of control of the Corporation or any of the NAC Subsidiaries or which would entitle a third party to terminate the contract upon a change of control of the Corporation.
- (43) **No Breach of Contracts.** To the knowledge of the Corporation:
- (i) the Corporation and the NAC Subsidiaries have performed all of the obligations required to be performed by each of them and is entitled to all benefits under, and the Corporation has not received notice or advice alleging it or the NAC Subsidiaries to be in default of any Material Contract. Each of the Material Contracts is in full force and effect, unamended, and there exists no default or event of default or event, occurrence, condition or act (including the purchase of the NAC Shares and other securities of NAC to be acquired under this Agreement) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under any Material Contract. True, correct and complete copies of all Material Contracts have been delivered to Brassneck; and
 - (ii) neither the Corporation or any of the NAC Subsidiaries have violated or breached, in any material respect, any of the terms or conditions of any Contract, nor any contract previously entered into by any Affiliate, except for certain failures to perform which, would not have a Material Adverse Effect. The Corporation has not received notice of

any such breach, and, to the knowledge of the Corporation, all the covenants to be performed by any other party to such Contract have been fully performed, in all material respects.

- (44) **Accounts Receivable.** All Accounts Receivable are bona fide, and, subject to an allowance for doubtful accounts that has been reflected on the books of the Corporation in accordance with GAAP and the policies, practices and procedures set forth in the NAC Financial Statements, collectible without set-off or counterclaim.

Intellectual Property Rights

- (45) **NAC Intellectual Property.** The Corporation owns or has the valid license to, all NAC Intellectual Property; and to the knowledge of the Corporation, the Corporation has not transferred ownership of, or agreed to transfer ownership of, or granted or agreed to grant any exclusive license to, any NAC Intellectual Property to any third party.
- (46) **Title to NAC Intellectual Property.** The Corporation owns each item of NAC Intellectual Property, free and clear of any Encumbrances, and has the right to use same without payment to any third party.
- (47) **Registered Intellectual Property.** The NAC Disclosure Letter lists: (i) all NAC Registered Intellectual Property which has not expired, including the owner of each item of NAC Registered Intellectual Property and the jurisdictions in which it has been issued or registered or in which any application for such issuance and registration has been filed, or in which any other filing or recordation has been made; and (ii) all material Marks currently used by the Corporation and for which no applications have been filed; no actions (except for the payment of maintenance fees for patent applications due in the Ordinary Course, which fees have been or will be paid in the Ordinary Course) are required to be taken by the Corporation within 120 days of the date herefrom with respect to such NAC Registered Intellectual Property in order to avoid prejudice to, impairment or abandonment of such NAC Registered Intellectual Property; each item of NAC Registered Intellectual Property is subsisting (or in the case of applications, applied for) and to the knowledge of the Corporation, is not invalid or unenforceable; and each item of NAC Registered Intellectual Property has been filed, prosecuted, and maintained in good faith and in a commercially reasonable manner and all filings, payments and other actions required to be made or taken by the Corporation before the date of this Agreement to maintain the NAC Registered Intellectual Property have been made and/or taken (except for the payment of maintenance fees for patents applications due in the ordinary course after the Closing, which fees have been or will be paid in the ordinary course); to the knowledge of the Corporation none of the NAC Registered Intellectual Property is currently involved in any interference, inventorship dispute, reissue, reexamination, opposition proceeding, or cancellation proceeding; the Corporation has not received any written notice from any Person regarding any such proceeding; and no Person, other than the Corporation, has the right to prosecute or enforce any NAC Registered Intellectual Property, except for the possible right at law for licensees to enforce Intellectual Property Rights under which they are licensed.
- (48) **Third Party Intellectual Property.** The NAC Disclosure Letter lists all Third Party Intellectual Property that is knowingly incorporated into, integrated into, or bundled with any of the NAC Products associated with the Business as of the Closing Date (including any Third Party Intellectual Property used to provide any NAC Products that are services) and identifies (i) the applicable Contract under which such Third Party Intellectual Property is licensed to Corporation

or either of the NAC Subsidiaries and (ii) the NAC Product(s) into or with which such Third Party Intellectual Property is incorporated, integrated, or bundled.

- (49) **Opinions.** Neither the Corporation nor either of the NAC Subsidiaries have received any written opinion of counsel that any NAC Product or the operation of the Business does or does not infringe, misappropriate, or violate any unexpired Third Party Intellectual Property or that any Third Party Intellectual Property is invalid or unenforceable and the Corporation and the NAC Subsidiaries are not aware of any earlier opinions that might present an impediment to the conduct of the Business.
- (50) **No Governmental Assistance.** No (i) government funding (except for any governmental Tax incentive programs relating to scientific research and experimental development); (ii) facilities of a university, college, other educational institution or research center; or (iii) funding from any Person (other than funds received in consideration for shares) was used in the development of the NAC Owned Intellectual Property. No Contributor (as defined below) has performed services for any government, university, college or other educational institution or research center during a period of time during which such Contributor was also performing services for the Corporation.
- (51) **IP Assignment Agreement.** The Corporation or the NAC Subsidiaries have secured from all current and former Employees, consultants, independent contractors, directors and advisors who independently or jointly contributed to or participated in the conception, reduction to practice, creation or development of any Intellectual Property Rights for the Corporation (each a “Contributor”), unencumbered and exclusive ownership of, all of Intellectual Property Rights in such contribution that the Corporation or the NAC Subsidiary does not already own by operation of law; (ii) and without limiting the foregoing, the Corporation or any of the NAC Subsidiaries have obtained written proprietary information and invention disclosure and Intellectual Property Rights assignments from all Contributors.
- (52) **Employee Braches.** No current or former Employee, consultant or independent contractor of the Corporation or either of the NAC Subsidiaries: (i) is in violation of any term or covenant of any Contract relating to employment, invention disclosure (including patent disclosure), invention assignment, non-disclosure or any other Contract with any other party by virtue of such Employee’s, consultant’s or independent contractor’s being employed by, or performing services for, the Corporation or either of the NAC Subsidiaries or using trade secrets or proprietary information of others without permission; or (ii) has developed any technology, software or other copyrightable, patentable or otherwise proprietary work for the Corporation that is subject to any agreement under which such Employee, consultant or independent contractor has assigned or otherwise granted to any Third Party Intellectual Property in or to such technology, software or other copyrightable, patentable or otherwise proprietary work.
- (53) **Confidential Information.** The Corporation and the NAC Subsidiaries have taken commercially reasonable steps to protect and preserve the confidentiality of its respective Confidential Information.
- (54) **Non-Infringement.** The Corporation and the NAC Subsidiaries have not brought any Legal Proceedings for infringement or misappropriation of any Intellectual Property Right, or threatened to do any of the foregoing. To the knowledge of the Corporation, the operation of the Business, including the making, using or selling of any NAC Product: (i) has not, does not, and will not infringe or misappropriate any Third Party Intellectual Property; and (ii) does not constitute unfair competition or unfair trade practices under the laws of any jurisdiction; the Corporation and the NAC Subsidiaries have not been sued in any Legal Proceedings or received

any notice or threat which claims infringement or misappropriation of any Third Party Intellectual Property or which contests the validity, ownership or right of the Corporation or the NAC Subsidiaries to own or exercise any NAC Intellectual Property; no NAC Intellectual Property, NAC Registered Intellectual Property or NAC Product is subject to any Legal Proceeding, Order, judgment or settlement agreement that restricts the use, transfer, or licensing thereof by the Corporation or either of the NAC Subsidiaries, or which affects the validity, use or enforceability of any such NAC Intellectual Property or NAC Registered Intellectual Property; and all NAC Products have been marked with the proper patent pending notice. All Works bear the proper registration notice where appropriate to do so.

- (55) **Intellectual Property Agreements.** The Corporation and the NAC Subsidiaries are not (and will not be as a result of the execution and delivery or effectiveness of this Agreement or the performance of the Corporation's obligations under this Agreement), in breach of any NAC Intellectual Property Agreement; (ii) the consummation of the transactions contemplated by this Agreement will not result in, or give any Person the right to cause (A) any modification, cancellation, termination, suspension of, or acceleration or increase of any payments under any NAC Intellectual Property Agreements, (B) a loss of, or Lien on, any NAC Intellectual Property; or (C) the grant, assignment or transfer to any Person of any license or other right or interest to any NAC Intellectual Property; (iii) no third party is in breach of a NAC Intellectual Property Agreement; and (iv) no remuneration is payable to any third party pursuant to any NAC Intellectual Property Agreement.
- (56) **Open Source Materials.** The NAC Disclosure Letter lists all software or other material that is distributed as Open Source Materials that is used by the Corporation and integrated or incorporated within any NAC Product, and identifies for each item of Open Source Materials: (i) the applicable open source license; whether the item is distributed with any NAC Products, and if so, the applicable NAC Products; and (iii) whether or not the item was modified by the Corporation or any Subsidiary. The Corporation is in material respects in compliance with the terms and conditions of all licenses for the Open Source Materials.
- (57) **Use of Open Source Materials.** The Corporation and the NAC Subsidiaries have not: (i) incorporated Open Source Materials into, or combined Open Source Materials with, the NAC Products; (ii) distributed Open Source Materials in conjunction with any NAC Intellectual Property or NAC Products; or (iii) used Open Source Materials, in such a way that, with respect to (i), (ii), or (iii) creates, or purports to create obligations for the Corporation with respect to any NAC Intellectual Property or grant, or purport to grant, to any third party, any rights or immunities under any NAC Intellectual Property Rights, including using any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials that other software incorporated into, derived from or distributed with such Open Source Materials be: (A) disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works, or (C) be redistributable at no charge.
- (58) **Privacy Policies.** To the knowledge of the Corporation, the Corporation and the NAC Subsidiaries have complied with all Applicable Laws and their respective internal privacy policies relating to: (a) the privacy of users of their products and services and all Internet websites owned, maintained or operated by Corporation (the "**Corporation Websites**") and (b) the use, collection, storage, disclosure and transfer of any personally identifiable information collected by or provided to the Corporation or either of the NAC Subsidiaries or by third parties having authorized access to the records, databases and Corporation Websites of the Corporation. Each of the Corporation Websites and all materials distributed or marketed by the Corporation have at all times made all disclosures to users or customers required by Applicable Laws in effect as of the

applicable dates and none of such disclosures made or contained in any Corporation Website or in any such materials have been inaccurate, misleading or deceptive or in violation of any applicable legal requirement. The privacy practices of the Corporation and the NAC Subsidiaries conform, and at all times have conformed, in all material respects to their respective privacy policies. No Claims have been asserted or, to the knowledge of the Corporation, are threatened against the Corporation or either of the NAC Subsidiaries by any Person alleging a violation of such Person's privacy, personal or confidentiality rights under the privacy policies of the Corporation or either of the NAC Subsidiaries. With respect to all personal and user information described in this Section, the Corporation and the NAC Subsidiaries have at all times implemented industry standard practices to protect the information against loss and against unauthorized access, use, modification, disclosure or other misuse. To the knowledge of the Corporation, there has been no unauthorized access to or other misuse of that information. The execution, delivery and performance of this Agreement, will comply with all Applicable Laws relating to privacy and with the privacy policies of the Corporation and the NAC Subsidiaries. Neither the Corporation nor either of the NAC Subsidiaries has not received a complaint regarding their respective collection, use or disclosure of personally identifiable information.

- (59) **Security Breaches.** Neither the Corporation nor either of the NAC Subsidiaries have experienced any breach of security, or otherwise unauthorized access by third parties to, Confidential Information, including personally identifiable information in the Corporation's possession, custody or control.
- (60) **Development Tools.** The Corporation and the NAC Subsidiaries have sufficient right, title and interest in and to the third party software development tools used by the Corporation or the NAC Subsidiaries in the Business as previously conducted or presently conducted.
- (61) **Malicious Code.** None of the NAC Products: (i) contains hidden files, viruses, time bombs, Trojan horses, or other malicious code or files designed to interrupt, destroy, or limit the functionality of any computer software or hardware, (ii) contains back doors, trap doors or other similar code designed to allow access into any computer software or hardware without going through normal built-in security checks and logs, or (iii) contains or are susceptible to any publicly identified vulnerability.

Other Matters

- (62) **Insurance.** The NAC Assets are insured in such amounts and against such risks as set forth in the NAC Disclosure Letter. The NAC Disclosure Letter contains a list of insurance policies which are maintained by the Corporation and the NAC Subsidiaries setting out, in respect of each policy, a description of the type of policy, the name of insurer, the coverage allowance, the expiration date, the annual premium and any pending claims. Neither the Corporation or either of the NAC Subsidiaries is in default with respect to any of the provisions contained in the insurance policies, the payment of any premiums under any insurance policy and has not failed to give any notice or to present any claim under any insurance policy in a due and timely fashion. There has not been any Material Adverse Change in the relationship of the Corporation or the NAC Subsidiaries with any insurers, the availability of coverage, or in the premiums payable pursuant to the policies. The Corporation and the NAC Subsidiaries maintain all insurance coverage as may be required by any Material Contract.
- (63) **Environmental Matters.**

- (i) the Corporation, the NAC Subsidiaries and the Business have been and are, operated in compliance with all applicable material Environmental Laws;
- (ii) the Corporation has provided or made available to the Purchaser true and complete copies of all environmental audits, evaluations, assessments, studies or tests relating to the Corporation, the NAC Subsidiaries, the Business and the NAC Assets of the Business that, to its knowledge, exist;
- (iii) there is no Environmental Law Claim pending or, to the knowledge of the Corporation threatened against the Corporation or either of the NAC Subsidiaries;
- (iv) neither the Corporation or the NAC Subsidiaries have released any hazardous substance at, on or near the Demised Premises as a result of the conduct of the Business or otherwise in any manner that will give rise to a material liability if such release is not permitted by Environmental Law;
- (v) the current and past operations of the Corporation and the NAC Subsidiaries have been and are in material compliance with all Environmental Laws, and to the knowledge of the Corporation there are no facts that could give rise to a notice of non-compliance by the Corporation or the NAC Subsidiaries with any Environmental Law, except for, in respect of all of the above, such non-compliance as would not individually or in the aggregate be reasonably like to result in or give rise to any material Liability to the Corporation or materially impair the operations of the Business; and
- (vi) neither the Corporation or the NAC Subsidiaries have been convicted of an offence or been subject to any Legal Proceeding or been subject to any order or other sanction requiring investigation or remediation of any real property or been fined or otherwise sentenced for non-compliance with any Environmental Laws, and have not settled any prosecution or other proceeding in relation to any alleged non-compliance with any Environmental Laws short of conviction in connection therewith.

Employment Matters

- (64) **Directors.** At the Closing Date, no amounts will be due or owing to any of the members of the board of directors of the Corporation save and except in respect of any indemnification by the Corporation of the directors as provided in the Governing Documents of the Corporation.
- (65) **Employees.** All amounts due or accrued for all salary, wages, bonuses, commissions, vacation pay, and other Employee benefits in respect of any Employee, director, independent contractor, consultant and agent of NAC and the NAC Subsidiaries that are attributable to the period before the Closing Date will be paid at or prior to the Closing Time in the Ordinary Course and consistent with past practice and are or shall be accurately reflected in the Books and Records of NAC and the NAC Subsidiaries.
- (66) **Compliance with Employment Laws.** The Business has been and is being operated in compliance, in all material respects, with Applicable Laws relating to employment, including employment standards, occupational health and safety, human rights, labour relations, workers compensation, pay equity and employment equity and none of NAC or the NAC Subsidiaries have received notice of any outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workers' compensation legislation and NAC has not been reassessed in any material respect under such legislation.

- (67) **Employee Plans.** The Corporation and the NAC Subsidiaries currently do not have any benefit plans for Employees, other than the NAC Stock Option Plan.

Tax Matters

(68) **Taxes.**

- (i) From and including the first taxation year of the Corporation, all Taxes due and payable by NAC and each of the NAC subsidiaries have been paid except for where the failure to pay such Taxes would not constitute an adverse material fact of NAC or either of the NAC Subsidiaries, or result in a Material Adverse Change to NAC or either of the NAC Subsidiaries. All Tax Returns, required to be filed by NAC and the NAC Subsidiaries have been filed with all appropriate Taxing Authorities and all such Tax Returns are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading except where the failure to file such documents would not constitute an adverse material fact of NAC or either of the NAC Subsidiaries or result in a Material Adverse Change to NAC or either of the NAC Subsidiaries. No examination of any Tax Return of NAC or any NAC Subsidiary is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any Taxes that have been paid, or may be payable, by NAC or any of the NAC Subsidiaries. There are no agreements with any Taxing Authority providing for an extension of time for any assessment or reassessment of taxes with respect to NAC or any of the NAC Subsidiaries.
- (ii) Other than those Liabilities reflected as reserves on the NAC Financial Statements and financial statements for the NAC Subsidiaries, the Corporation and the NAC Subsidiaries have no Liability for Taxes for any period ending on or before the Closing Date. The NAC Financial Statements and the financial statements of the NAC Subsidiaries fully reflect accrued Liabilities for all Taxes of NAC and the NAC Subsidiaries which are not yet due and payable and for which Tax Returns are not yet required to be filed (due to any permitted extension of time or otherwise), and are sufficient of the payment of remittance of all Taxes which may become payable or remittable by the Corporation and the NAC Subsidiaries, whether or not disputed, in respect of any period ending before the Closing Date. To the knowledge of the Corporation, no examination of any Tax Return of the Corporation by a Governmental Authority is currently in progress, except any Tax Return which has been filed by the Corporation or the NAC Subsidiaries, but has not yet been assessed by the appropriate Governmental Authority. There are no Encumbrances or Taxes upon any property or assets of the Corporation, other than Encumbrances for Taxes which are not yet due and payable.
- (iii) There are no agreements, waivers or other arrangements providing for an extension of time with respect to any assessment or reassessment of Taxes, the filing of any Tax Return, or the payment of any Tax by, or levying of any governmental charge against the Corporation or the NAC Subsidiaries.
- (iv) There is no Legal Proceeding, audit, Assessment, re-Assessment or request for information outstanding for which notice has been provided to the Corporation or either of the NAC Subsidiaries or threatened against them with respect to Taxes or to the knowledge of the Corporation, any matters under discussion with any Governmental Authority relating to any matters which could result in claims for additional Taxes. Brassneck has been provided access to complete and accurate copies of each of: (A) all

audit reports, letter rulings, technical advice memoranda and similar documents issued by a Governmental Authority relating to the Taxes due from or with respect to the Corporation and the NAC Subsidiaries, (B) all agreements entered into by the Corporation or any of the NAC Subsidiaries with any Governmental Authority existing on the date hereof and (C) copies of any correspondence to or from any Governmental Authority.

- (v) The Corporation and the NAC Subsidiaries have withheld from each payment made by it to any relevant Person the amount of all Taxes and other deductions required under any applicable Tax Laws to be withheld therefrom and has remitted all such amounts withheld and all other amounts required to be remitted and paid all instalments of Taxes due and payable before the Closing Date to the proper Governmental Authority within the time prescribed under any applicable Tax Law. All Persons performing services for the Corporation or the NAC Subsidiaries who are classified and treated as independent contractors qualify as independent contractors and not as Employees under the Applicable Laws.
- (vi) Neither the Corporation nor either of the NAC Subsidiaries have been treated, at any time, or, to the knowledge of the Corporation, may be treated, as resident in or having a permanent establishment or otherwise deemed to be carrying on business in any manner (whether, without limitation, by or through a branch, office, fixed place of business, warehouse, Employees, independent contractors, or other service provider or representative) in any other jurisdiction other than Canada, for the purposes of any Taxes or Tax Laws and neither the Corporation nor either of the NAC Subsidiaries have been required, or are currently required, to file any Tax Returns with any Governmental Authority outside Canada.
- (vii) The Corporation and the NAC Subsidiaries are duly and properly registered in each and every country, province, territory, state or other jurisdiction where required under applicable Tax Law and doing business and franchise taxes and any other equivalent local or regional Tax for which registration is required, and has timely and accurately complied in all material respects at all times with the laws and regulations governing such required registrations, and has timely and accurately complied in all material respects with the applicable Tax Law of such jurisdictions (including with respect to the payment of any Taxes required under such Tax Law). Neither the Corporation nor either of the NAC Subsidiaries have received written notice of any claim made by any Governmental Authority, and has been otherwise advised in writing by a Governmental Authority, that the Corporation is or may be subject to Taxes in any jurisdiction where the Corporation does not file Tax Returns.
- (viii) The Corporation and the NAC Subsidiaries do not own or lease any property (whether real or personal, tangible or intangible) in any country or jurisdiction that is (A) in the possession of its Employees or contractors or (B) licensed to its customers.
- (ix) Neither the Corporation nor either of the NAC Subsidiaries are a party to, are not bound by, or have any obligation under any Tax sharing agreement, Tax indemnification agreement, Tax allocation agreement or other similar agreement, contract or arrangement with respect to Taxes, and neither the Corporation nor either of the NAC Subsidiaries have any potential liability or obligation in respect of Taxes, as a result of, or pursuant to, any such agreement, contract or arrangement.

- (x) There are no Encumbrances on any of the NAC Assets except for Taxes not yet due and payable. The Corporation has not received a refund of any Taxes to which it was not entitled.
- (xi) Neither the Corporation nor either of the NAC Subsidiaries has ever directly or indirectly transferred any property to or supplied any services to or acquired any property (including intangible) or services (including financial transactions) from a Person with whom it was not dealing at arm's length (for the purposes of the ITA) for consideration other than consideration which to the Company's knowledge was equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of the property or services.
- (xii) There are no circumstances that could result in the application of any of sections 17, 69, 80 to 80.04, 160 or 191.3 of the ITA or any equivalent provision under provincial law in relation to the Corporation or any of the NAC Subsidiaries. Neither the Corporation nor either of the NAC Subsidiaries have any unpaid amounts that may be required to be included in income under section 78 of the ITA for a taxation year ending after the Closing Date. Neither the Corporation nor either of the NAC Subsidiaries have loans or indebtedness incurred by current or former directors, officers, shareholders or employees or any person not dealing at arm's length with the Corporation or the NAC Subsidiaries (within the meaning of the ITA) that will be outstanding as of the Closing Date.
- (xiii) Neither the Corporation nor either of the NAC Subsidiaries have made or filed any elections or designations under the ITA, the Excise Tax Act (Canada) or any equivalent provincial or territorial Tax Laws other than as specifically provided for in Tax Returns provided to the Purchaser. Neither the Corporation nor either of the NAC Subsidiaries have claimed, and will not claim in respect of any period prior to the Closing Date, any reserve if such amount could be included in their income for any taxation year ending after the Closing Date.
- (xiv) Records or documents that meet the requirements of section 247 of the ITA (or any similar provision of foreign Tax Laws) have been made and obtained by the Corporation and the NAC Subsidiaries with respect to all material transactions between the Corporation or NAC Subsidiary, as applicable, and any non-resident Person with whom the Company or the NAC Subsidiary, as applicable, was not dealing at arm's length within the meaning of the ITA. The Corporation and the NAC Subsidiaries have complied in all material respects with applicable Tax Laws relating to transfer pricing. Neither the Corporation nor either of the NAC Subsidiaries has requested, received or entered into any advance pricing agreements with any Governmental Authority.
- (xv) The Corporation and each of the NAC Subsidiaries are registrants for the purposes of the *Excise Tax Act* (Canada). All input tax credits claimed by the Corporation or the NAC Subsidiaries pursuant to the *Excise Tax Act* (Canada) have been proper, correctly calculated and documented. The Corporation and the NAC Subsidiaries have collected, paid and remitted when due all sales taxes, including GST, collectible, payable or remittable prior to the Closing Date.

Other Matters

- (69) **Indebtedness to NAC Securityholders.** Except as disclosed in the NAC Financial Statements, and except for the payment of salaries and other compensation payable in the Ordinary Course and reimbursement for out-of-pocket expenses in the Ordinary Course, neither the Corporation or either of the NAC Subsidiaries is indebted to the NAC Securityholders (or any Affiliates or associates thereof), or any of their directors, officers or Employees (or any Affiliate or associate thereof).
- (70) **Filing Statement.** All information in the NAC Filing Statement Information, shall, as of the date of the Filing Statement, be true, complete and accurate in all material respects and shall not contain any misrepresentation and shall contain all information in respect of the Corporation or the NAC Subsidiaries required by Applicable Canadian Securities Laws to be included in the Filing Statement.
- (71) **Full Disclosure.** Neither this Agreement nor any Ancillary Agreement to which the Corporation is a party contains any untrue statement of a material fact in respect of NAC, the NAC Subsidiaries, the affairs, prospects, operations or condition of the Corporation or the NAC Subsidiaries, the NAC Assets or the Business. There is no fact known to the Corporation which has a Material Adverse Effect on the affairs, prospects, operations or condition of the Corporation, the NAC Subsidiaries, the Assets or the Business which has not been set forth in this Agreement.

Section 3.2 Representations of Brassneck and Brassneck Subco

Each of Brassneck and Brassneck Subco represents and warrants as follows to NAC and acknowledges and confirms that NAC is relying on such representations and warranties in connection with the Transactions contemplated by this Agreement, which representations and warranties are made as of the date of this Agreement and as of the Closing Date.

Corporate Matters

- (1) **Incorporation and Corporate Power.** Brassneck has been duly incorporated and is validly existing under the ABCA and is current and up-to-date with all filings required to be made by it in such jurisdiction. Brassneck Subco has been duly incorporated and is validly existing under the Act and is current and up-to-date with all filings required to be made by it in such jurisdiction.
- (2) **Validity and Enforceability of the Agreement.**
 - (i) Each of Brassneck and Brassneck Subco has full corporate power, capacity and authority to undertake all steps of the Transaction contemplated in this Agreement and the TSXV Escrow Agreements and to carry out its obligations under this Agreement and the TSXV Escrow Agreements.
 - (ii) The transactions under this Agreement or the TSXV Escrow Agreements, do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of the Governing Documents of Brassneck or Brassneck Subco, or any contracts or instruments to which Brassneck or Brassneck Subco is a party.

- (iii) The transactions under this Agreement or the TSXV Escrow Agreements, do not and will not result in a breach of, or cause the termination or revocation of, any Authorization held by Brassneck or Brassneck Subco.
- (iv) The transactions under this Agreement or the TSXV Escrow Agreements, do not and will not result in the violation of any Applicable Law or judgment, decree, order, or award of any Governmental Authority applicable to Brassneck or Brassneck Subco.
- (3) **Required Authorizations.** Except for the Authorization of the Exchange and any filings and notices in connection therewith, there is no requirement to make any filing with, give any notice to, or obtain any Authorization of, any Governmental Authority as a condition to the Purchaser's lawful completion of the transactions contemplated by this Agreement.
- (4) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by Brassneck and Brassneck Subco and constitute legal, valid and binding obligations of Brassneck and Brassneck Subco, as applicable, enforceable against Brassneck and Brassneck Subco in accordance with their respective terms subject only to any limitation under Applicable Laws relating to (i) bankruptcy, winding-up insolvency, arrangement and other laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (5) **Authorized and Issued Capital.**
 - (i) The authorized capital of Brassneck consists of an unlimited number of common shares without par value, of which 6,939,000 Brassneck Shares are issued and outstanding as fully paid and non-assessable as of the date of this Agreement, and there are 849,837 outstanding Brassneck Options and to acquire Brassneck Shares.
 - (ii) The authorized capital of Brassneck Subco consists of an unlimited number of common shares without par value, of which 100 common shares are issued and outstanding as fully paid and non-assessable as of the date of this Agreement.
- (6) **Related Party Transactions.** Brassneck is not a party to or bound by any agreement with, is not indebted to, and no amount is owing to Brassneck by, any officers, former officers, directors, former directors, shareholders, former shareholders, employees or former employees of Brassneck or any Persons not dealing at arm's length with any of the foregoing. Since the date of the Brassneck Financial Statements, Brassneck has not made or authorized any payments to any officers, former officers, directors, former directors, shareholders, former shareholders, employees or former employees of Brassneck or to any Persons not dealing at arm's length with any of the foregoing.
- (7) **Issuable Brassneck Shares.** The Brassneck Shares to be issued to the NAC Securityholders pursuant to this Agreement shall, upon issuance, be duly and validly issued as full paid and non-assessable shares in the capital of Brassneck in compliance with Applicable Laws, and will, upon issuance, be duly listed for trading on the Exchange, subject to the satisfaction of conditions on issuance, if any, by the Exchange and the terms and conditions of the Escrow Agreement.
- (8) **Issuable Warrants and Replacement Options.** The Resulting Issuer Shares issuable under the Replacement Options, the Resulting Issuer Agent's Warrants and the Resulting Issuer Broker Warrants and the Resulting Issuer Performance Warrants to be granted in exchange for the NAC Options, Broker Warrants, Agent's Warrants and NAC Performance Warrants pursuant to this

Agreement, as applicable, will be duly and validly authorized, allotted and reserved for issuance and, upon exercise or deemed exercise of such Replacement Options, Resulting Issuer Agent's Warrants or Resulting Issuer Broker Warrants, as applicable, in accordance with their terms, and, upon receipt by the Resulting Issuer of the consideration therefor, such Resulting Issuer Shares will be issued as fully paid and non-assessable in compliance with Applicable Laws.

- (9) **Ownership of Brassneck Subco.** Brassneck is the registered and beneficial owner of all 100 issued and outstanding common shares of Brassneck Subco and neither Brassneck nor Brassneck Subco is a party to or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any securities of Brassneck Subco or securities convertible into or exchangeable for any securities of Brassneck Subco.
- (10) **Reporting Issuer Status.** Brassneck is a reporting issuer, or the equivalent thereof, under the Applicable Securities Laws of the provinces of British Columbia, Alberta and Ontario (the "**Reporting Jurisdictions**") and is not currently in default of any requirement of the Applicable Laws and Applicable Securities Laws each of the Reporting Jurisdictions and other regulatory instruments of the Securities Authorities in such provinces.
- (11) **Exchange Matters.** The issued and outstanding Brassneck Shares are listed and posted for trading solely on the TSXV. Other than in connection with the Transaction contemplated by this Agreement, there is no order ceasing or suspending trading in any securities of Brassneck is currently outstanding and to the knowledge of Brassneck, no proceedings for such purpose are pending or threatened by the Exchange or any Securities Authority.
- (12) **Books and Records.** As of the date hereof, the corporate records and minute books of Brassneck and Brassneck Subco are materially complete and accurate. The share certificate books, register of security holders, register of transfers and register of directors and any similar corporate records of Brassneck are complete and accurate in all material respects.
- (13) **Voting Agreements.** To the best of the knowledge of Brassneck, there are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Brassneck Shares.
- (14) **Filings.** All filings and fees required to be made by Brassneck and Brassneck Subco pursuant to Applicable Laws have been made and paid and such filings were true and accurate as at the respective dates thereof and Brassneck has not filed any confidential material change reports.
- (15) **Options, etc.** Other than pursuant to the Brassneck Options or the terms of this Agreement, neither Brassneck or Brassneck Subco is not party to and has not granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any Brassneck Shares or securities convertible into or exchangeable for Brassneck Shares.
- (16) **Dividends and Distributions.** Brassneck has not, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any of its shares of any class and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its shares of any class or agreed to do so. There is not, in their Governing Documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which Brassneck or Brassneck Subco is a party, any restriction upon or impediment to, the declaration or payment of dividends by the directors of Brassneck or Brassneck Subco or the payment of dividends by Brassneck or Brassneck Subco to the holders of their securities.

- (17) **Authorization for Brassneck Business.** Each of Brassneck and Brassneck Subco has all requisite corporate capacity, power and authority, and possesses all Authorizations issued by the appropriate Government Authority necessary to conduct the business as now conducted by it and which it shall conduct and to own its assets and is in compliance in all material respects with such Authorizations and has not received any notice of Legal Proceedings relating to the revocation or modification of any such Authorization which, singly or in the aggregate, if the subject of an unfavourable decision, order, finding or ruling, would materially and adversely affect the conduct of the business, operations, financial condition, income or future prospects of Brassneck and Brassneck Subco, taken as a whole.
- (18) **Required Approvals.** The entering into and the performance by Brassneck and Brassneck Subco of the Transactions contemplated herein and in the Filing Statement:
- (i) does not require any Regulatory Approval, except that which may be required under by the Exchange and under Applicable Securities Laws;
 - (ii) will not contravene any statute or regulation of any Government Authority which is binding on Brassneck or Brassneck Subco, where such contravention would materially and adversely affect the business, operations, capital or condition (financial or otherwise) of Brassneck and Brassneck Subco, taken as a whole; and
 - (iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the Governing Documents or resolutions of Brassneck or Brassneck Subco or any Debt Instrument, mortgage, note, indenture, contract or agreement, instrument, lease or other document to which Brassneck is a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would materially and adversely affect the business, operations, capital or condition (financial or otherwise) of Brassneck and Brassneck Subco, taken as a whole.
- (19) **Business Restrictions.** Except to the extent that Brassneck must comply with the TSXV Policies, neither Brassneck nor Brassneck Subco is a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of Brassneck or Brassneck Subco to compete in any line of business, or to transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of Brassneck and Brassneck Subco taken as a whole or which would prohibit or restrict Brassneck or Brassneck Subco from entering into and completing the Transaction.

Financial Matters

- (20) **Financial Statements.** The Brassneck Financial Statements have been prepared in accordance with GAAP, present fairly, in all material respects, the financial position of Brassneck as at such dates, and do not omit to state any material fact that is required by generally accepted accounting principles or by applicable law to be stated or reflected therein or which is necessary to make the statements contained therein not misleading.
- (21) **Absence of Undisclosed Liabilities.** Except to the extent reflected or reserved against in the Brassneck Financial Statements, or incurred in the Ordinary Course, neither Brassneck or Brassneck Subco have any material outstanding indebtedness or any material Liabilities or obligations (whether accrued, accruing, absolute, contingent or otherwise) of the type required to be disclosed on a balance sheet prepared in accordance with GAAP.

- (22) **Absence of Changes.** Since the date of the Brassneck Financial Statements, other than in connection with the bridge loan to the Corporation, there has not been:
- (i) any change in the condition or the operation of the business, assets or financial affairs of the Purchaser which, individually or in the aggregate; or
 - (ii) any damage, destruction or loss, labour unrest or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Corporation, which may have a Material Adverse Effect on the properties or assets of Brassneck.
- (23) **No Encumbrances from Liabilities.** There is no indebtedness or Liability of Brassneck or Brassneck Subco to any Person which might, by operation of law or otherwise, now or hereafter constitute or be capable of resulting in or forming an Encumbrance, except a Permitted Encumbrance, upon any of the assets of Brassneck or Brassneck Subco.
- (24) **Auditors.** There has never been a reportable disagreement (within the meaning of National Instrument 51-102) with the present auditors of Brassneck.
- (25) **Legal Proceedings.** There are no legal or governmental proceedings pending or, to the knowledge of Brassneck, contemplated or threatened, to which Brassneck or Brassneck Subco is a party or to which the property of Brassneck or Brassneck Subco is subject.
- (26) **Liabilities.** There are no material liabilities of Brassneck or Brassneck Subco whether direct, indirect, absolute, contingent or otherwise, which are not disclosed or reflected in the Brassneck Financial Statements, except those incurred in the ordinary course of business or pursuant to the Qualifying Transaction.
- (27) **Finders Fees.** There is no person, firm or corporation acting or purporting to act at the request of Brassneck who is entitled to any brokerage or finder's fee in connection with the transaction described herein.
- (28) **Indebtedness.** Neither Brassneck nor Brassneck Subco is a party to any Debt Instrument or any agreement, contract or commitment to create, assume or issue any Debt Instrument. Neither Brassneck nor Brassneck Subco has any loan or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is defined in the ITA) other than any out-of-pocket expenses incurred on behalf of the Corporation.
- (29) **Bankruptcy.** Neither Brassneck nor Brassneck Subco has made any assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. Brassneck has not initiated proceedings with respect to a compromise or arrangement with its creditors, or for winding-up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of Brassneck or Brassneck Subco or its respective assets and no execution or distress has been levied on any of the Purchaser's assets, nor have proceedings been commenced in respect of any of the foregoing.

General Matters Relating to the Business

- (30) **No Business; Assets.** Brassneck is a "capital pool company" (as defined in the TSXV Policies) and has not conducted any business operations other than to pursue a Qualifying Transaction (as

defined in the TSXV Policies). Other than as disclosed in the Brassneck Financial Statements, Brassneck does not hold, possess or have any undertaking, property or assets of any material value. Without limiting the foregoing, Brassneck does not own, lease, or otherwise have an interest in any real property.

- (31) **No Material Adverse Change.** Since the date of the Brassneck Financial Statements, there has not been any Material Adverse Change in the affairs, prospects, operations or condition of the Purchaser, its assets or its properties and no event has occurred or circumstance exists which may result in such a Material Adverse Change.
- (32) **Compliance with Applicable Laws.** To the knowledge of Brassneck, Brassneck has, at all times, conducted its operations in compliance with all Applicable Laws other than acts of non-compliance which, in the aggregate, are not material, and the Purchaser has not received notice that it has not operated in compliance with Applicable Laws.
- (33) **Material Contracts.** There are no material contracts or agreements to which Brassneck is a party, or by which it is bound, other than as disclosed in the information filed by Brassneck on the SEDAR website at www.sedar.com under Brassneck's profile
- (34) **No Breach of Contracts.** To the knowledge of Brassneck, Brassneck has performed all of the obligations required to be performed by it and is entitled to all benefits under, and Brassneck has not received notice or advice alleging it to be in default of any contract.

Taxes and Other Matters

- (35) **Taxes.** All Taxes due and payable by Brassneck and Brassneck Subco have been paid except for where the failure to pay such Taxes would not constitute an adverse material fact of Brassneck, or result in a Material Adverse Change to Brassneck. All Tax Returns required to be filed by Brassneck have been filed with all appropriate Taxing Authorities and all such Tax Returns are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading except where the failure to file such documents would not constitute an adverse material fact of Brassneck or result in Material Adverse Change to Brassneck. No examination of any Tax Return of Brassneck or Brassneck Subco is currently in progress and there are no issues or disputes outstanding with any Taxing Authority respecting any Taxes that have been paid, or may be payable, by Brassneck or Brassneck Subco. There are no agreements with any Taxing Authority providing for an extension of time for any assessment or reassessment of Taxes with respect to Brassneck or Brassneck Subco.
- (36) **No Withholding Taxes.** There are no withholding or other Taxes pursuant to any Applicable Laws that prevent, restrict or affect the delivery of the Brassneck Shares, Replacement Options or Brassneck Warrants in accordance with this Agreement.
- (37) **Subsidiaries.** Other than Brassneck Subco, Brassneck does not have any other Subsidiary and holds no shares or other ownership, equity or proprietary interests in any other Person, including any joint venture.

Section 3.3 Survival

For greater certainty, the representations and warranties of each of NAC, Brassneck Subco and Brassneck contained herein shall survive the execution and delivery of this Agreement for a period of one year from the date hereof.

ARTICLE 4 PRE-CLOSING COVENANTS

Section 4.1 Conduct of Business Prior to Closing – NAC

- (1) **Ordinary Course.** Except as required by Applicable Laws or is otherwise expressly permitted or specifically contemplated by this Agreement, NAC covenants and agrees that, during the period from the date of this Agreement until the earlier of either the Closing Time or the time that this Agreement is terminated by its terms, unless the Parties shall otherwise agree in writing that NAC shall, and shall cause the NAC Subsidiaries to, conduct the Business in, and not take any action except in, the usual and Ordinary Course of the Business and consistent with past practice, and shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, Employees and advantageous Business relationships.
- (2) **Negative Covenants.** Other than as may contemplated or permitted by this Agreement and without limiting the generality of Section 4.1(1) and without derogating from the covenant of the Corporation in Section 6.1(1)(ii), NAC will not, and will cause the NAC Subsidiaries to not:
 - (i) sell, transfer or otherwise dispose of any of the NAC Assets except for: (A) NAC Assets which are obsolete and which individually or in the aggregate do not exceed \$10,000, or (B) inventory sold in the Ordinary Course;
 - (ii) make any capital expenditure or commitment therefor which individually or in the aggregate exceeds \$20,000 in excess of the amount budgeted for same in the capital expenditure budget presented to the Purchaser;
 - (iii) other than the Bridge Loan, increase its indebtedness for borrowed money or make any loan or advance or assume, guarantee or otherwise become liable with respect to the Liabilities or obligations of any other Person;
 - (iv) make any bonus or profit sharing distribution or similar payment of any kind except as may be required by any Plan or the terms of a Material Contract;
 - (v) remove the auditor or any director or terminate any officer or other Employee;
 - (vi) write off as uncollectible any Accounts Receivable, which individually or in the aggregate is material to the Corporation or is in excess of \$25,000;
 - (vii) grant any general increase in the rate of wages, salaries, bonuses or other remuneration of any Employees except as may be required by the terms of a Material Contract;
 - (viii) cancel or waive any material Claims or rights;

- (ix) enter into any compromise or settlement of any Legal Proceeding or governmental investigation relating to the NAC Assets, the Business, the Corporation or the NAC Subsidiaries;
 - (x) cancel or reduce any of its insurance coverage;
 - (xi) declare or pay any dividend; or
 - (xii) agree, whether or not in writing, to do any of the foregoing.
- (3) **Affirmative Covenants.** Without limiting the generality of Section 4.1(1) and without derogating from the obligation of NAC in Section 6.1(1)(ii), the Corporation will, and will cause the NAC Subsidiaries to:
- (i) maintain levels of inventories in accordance with past practice to carry on the Business in the Ordinary Course;
 - (ii) maintain the NAC Assets in the current state of repair and condition;
 - (iii) comply with all Authorizations and contractual obligations under the Material Contracts;
 - (iv) maintain all Books and Records in the usual, regular and ordinary manner;
 - (v) use reasonable commercial efforts to preserve intact the current business organization of the Corporation and the NAC Subsidiaries, keep available the services of the present Employees and agents of the Corporation and the NAC Subsidiaries, except those who voluntarily terminate their employment or services, and maintain good relations with, and the goodwill of, the suppliers, customers, landlords, creditors, distributors and all other Persons having business relationships with the Corporation and the NAC Subsidiaries;
 - (vi) confer with Brassneck concerning operational matters of a material nature;
 - (vii) use reasonable commercial efforts consistent with past practice to retain possession and control of its NAC Assets and preserve the confidentiality of any Confidential Information;
 - (viii) execute all Performance Share Agreements prior to Closing;
 - (ix) using reasonable commercial efforts, conduct the Business in such a manner that on the Closing Date, the representations and warranties contained in this Agreement shall be true, correct and complete as if such representations and warranties were made on and as of such date; and
 - (x) otherwise periodically as requested report to the Purchaser concerning the state of the Business and the Corporation.

Section 4.2 Conduct of Business Prior to Closing - Brassneck

- (1) **Ordinary Course.** During the period from the date of execution of this Agreement to the Closing Date, Brassneck will conduct its operations in the Ordinary Course.

- (2) **Negative Covenants.** Other than as may contemplated or permitted by this Agreement and without limiting the generality of Section 4.2(1) and without derogating from the obligation of the Purchaser in Section 6.2(1)(ii), the Purchaser and Brassneck Subco will not:
- (i) sell, transfer or otherwise dispose of any of its property or assets;
 - (ii) make any capital expenditure or commitment;
 - (iii) discharge any secured or unsecured obligation or liability;
 - (iv) increase its indebtedness for borrowed money or make any loan or advance or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of any other Person;
 - (v) make any bonus or profit sharing distribution or similar payment of any kind except as may be required by the terms of a Material Contract;
 - (vi) remove the auditor or any director or terminate any officer or other Employee;
 - (vii) grant any general increase in the rate of wages, salaries, bonuses or other remuneration of any Employees;
 - (viii) cancel or waive any material claims or rights;
 - (ix) enter into any compromise or settlement of any Legal Proceeding or governmental investigation relating to the assets or properties or assets of the Purchaser;
 - (x) cancel or reduce any of its insurance coverage;
 - (xi) declare or pay any dividend;
 - (xii) agree, whether or not in writing, to do any of the foregoing; or
 - (xiii) not take any action which would be reasonably expected to result in the delisting or suspension of the Brassneck Shares from the Exchange and shall comply, in all material respects, with the TSXV Policies, rules and regulations thereof.
- (3) **Affirmative Covenants.** Without limiting the generality of Section 4.2(1) and without derogating from the obligation of the Purchaser in Section 6.2(1)(ii), the Purchaser and Brassneck Subco will:
- (i) maintain all Books and Records in the usual, regular and ordinary manner;
 - (ii) using reasonable commercial efforts, conduct its operations in such a manner that on the Closing Date, the representations and warranties contained in this Agreement shall be true, correct and complete as if such representations and warranties were made on and as of such date; and
 - (iii) otherwise periodically as requested report to the Corporation concerning the state of the operations of the Purchaser.

Section 4.3 Mutual Covenants Prior to Closing

- (1) Each of the Parties covenants that prior to Closing it shall not, directly or indirectly, do or permit to occur any of the following, except as otherwise contemplated herein:
 - (i) amend its Governing Documents, other than in connection with the NAC Name Change or the Brassneck Name Change;
 - (ii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire shares other than, in the case of NAC, in accordance with the terms of the Convertible Notes, the Subscription Receipts or the Warrant Acceleration Agreements and in the case of Brassneck, in accordance with the terms of the Brassneck Options;
 - (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities including, without limitation, under an issuer bid;
 - (iv) except for the Brassneck Share Split, split, combine or reclassify any of its shares;
 - (v) reduce its stated capital; or
 - (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;

- (2) The Parties shall not, other than in the Ordinary Course consistent with past practice, or as required or contemplated by this Agreement, without prior consultation with and the consent of the other Parties, directly or indirectly, do any of the following:
 - (i) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment either by purchase of shares or securities, contributions of capital or property transfer;
 - (ii) acquire any material assets;
 - (iii) incur any indebtedness for borrowed money, other than pursuant to existing facilities, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual or entity, or make any loans or advances, other than the Personnel Obligations and fees payable to legal and accounting advisors in the Ordinary Course and reasonable fees payable to legal, accounting, engineering and financial advisors in connection with the Transaction and matters contemplated by this Agreement;
 - (iv) authorize, recommend or propose any release or relinquishment of any material contractual right;
 - (v) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document;
 - (vi) enter into any agreements with its directors or officers or their respective Associates; or

- (vii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (3) **Personnel Obligations.** For greater certainty, notwithstanding Section 4.3(2), Brassneck and NAC will not create any new Personnel Obligations; or except for payment of the existing Personnel Obligations (from which the applicable Party shall make appropriate withholdings as required by applicable Tax Laws), grant to any officer or director an increase in compensation in any form, grant any general salary increase other than in accordance with the requirements of any existing collective bargaining or union contracts, grant to any other employee any increase in compensation in any form other than routine increases in the ordinary course of business consistent with past practices, make any loan to any officer or director, or take any action with respect to the grant of any severance or termination pay arising from the Transaction or a change of any Party or the entering into of any employment agreement with, any senior officer or director, or with respect to any increase of benefits payable under its current severance or termination pay policies.
- (4) **Compensation Plans.** The Parties will not adopt or amend or make any contribution to any bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with Applicable Law or with respect to existing provisions of any such plans, programs, arrangements or agreements without the consent of the other Parties.

Section 4.4 Access for Due Diligence

- (1) **Provision for Access.** NAC shall, and shall cause the NAC Subsidiaries to: (i) permit Brassneck, and its Employees, agents, counsel, accountants or other representatives between the date of this Agreement and the Closing, without undue interference to the ordinary conduct of the Business, to have reasonable access during normal business hours and upon reasonable notice to: (a) the premises of the Corporation, (b) the NAC Assets and, in particular to any information, including all Books and Records whether retained by the Corporation or otherwise, (c) all Contracts, and (d) the senior personnel of the Corporation, and (ii) furnish to the Purchaser or its Employees, agents, counsel, accountants or other representatives such financial and operating data and other information with respect to the NAC Assets and the Corporation, as Brassneck shall from time to time reasonably request.
- (2) **Statements Unaffected.** No investigations made by or on behalf of Brassneck, whether under Section 4.4(1) or any other provision of this Agreement or any Ancillary Agreement, shall have the effect of waiving, diminishing the scope of, or otherwise affecting any representation or warranty made in this Agreement or any Ancillary Agreement, provided, however, that if Brassneck discovers or receives notice of any breach or potential breach or failure of NAC hereunder (each a “**Breach**”), Brassneck shall notify NAC and provide NAC with three days to cure such Breach, and, following such cure period Brassneck:
 - (i) shall either waive the Breach and complete the Closing in accordance herewith on the Closing Date; or
 - (ii) shall elect not to close in accordance herewith and all obligations of the Brassneck Parties and NAC (save and except for their respective obligations under Section 4.4(3), Section 7.4, and Section 9.2 which shall survive) shall terminate.

- (3) **Confidentiality.** Until the Closing and in the event of termination of this Agreement without Closing, the Corporation shall keep confidential any Confidential Information obtained from the Purchaser or its respective agents and representatives, unless such Confidential Information: (i) is or becomes generally available to the public other than as a result of a disclosure in violation of this Agreement, (ii) becomes available to the Corporation on a non-confidential basis from a source other than the Purchaser or its respective agents and representatives, unless the Corporation knows that such source is prohibited from disclosing the information to the Corporation by a contractual, fiduciary or other legal obligation to the Purchaser, or (iii) was known to the Corporation on a non-confidential basis before its disclosure to the Corporation by the Purchaser or its respective agents and representatives. In the event the Corporation is required by Applicable Law or by any by-law, rule or policy of any stock exchange to disclose any confidential information, the Corporation will, to the extent not prohibited by Applicable Law or by any by-law, rule or policy of any stock exchange, provide the Corporation with prompt notice of such requirements so that the Corporation may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 4.4(3). Subject to the next sentence, if this Agreement is terminated, promptly after such termination the Corporation will return or cause to be returned or destroyed all documents, work papers and other material (whether in written, printed, electronic or computer printout form and including all copies) obtained from the Purchaser or its respective agents and representatives in connection with this Agreement and not previously made public. The Corporation may retain one copy of all such documents, work papers and other materials in a sealed envelope left with its solicitors, which sealed envelope is not to be opened except in circumstances where this Agreement or the transaction contemplated herein are the subject of litigation or otherwise with the consent of the Purchaser.

Section 4.5 Shareholder Meetings and Related Matters

- (1) **NAC Shareholder Meeting.** Prior to Closing, NAC shall have called and held the NAC Shareholder meeting and shall put forward to the NAC Shareholders a special resolution approving the Transaction.
- (2) **Option Conversion Agreements.** Prior to Closing, NAC shall have entered into an Option Conversion Agreement with each of the NAC Optionholders.

Section 4.6 Actions to Satisfy Closing Conditions

- (1) NAC shall take all such actions as is within its power to control and to use its reasonable commercial efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with all of the conditions set forth in Section 6.1 and Section 6.3 including, using reasonable commercial efforts ensuring that during the period from the date of this Agreement to Closing and at Closing, there is no breach of any of their representations and warranties in Section 3.1.
- (2) The Brassneck Parties shall, as applicable, take all such actions as are within their respective power to control and to use their reasonable commercial efforts to cause other actions to be taken which are not within their power to control, so as to ensure compliance with all of the conditions set forth in Section 6.2 and Section 6.3 including ensuring that during the period from the date of this Agreement to Closing and at Closing, there is no breach of any of its representations and warranties Section 3.2.

Section 4.7 Required Consents

- (1) **NAC Consents.** NAC will use all reasonable commercial efforts to obtain, prior to Closing:
 - (i) consent for the Change of Control as required by any Lease or other Material Contract to which NAC or an Affiliate is a party; and
 - (ii) Shareholder approval of the NAC Shareholders at the NAC Shareholder Meeting of the Transaction and the NAC Name Change.
- (2) **Brassneck Consents.** Brassneck will use all reasonable commercial efforts to obtain, prior to Closing the written acceptance from the Exchange of the Share Split, the Brassneck Name Change, and the Transaction.

Section 4.8 Filings and Authorizations

- (1) **Personal Information Forms.** The Corporation shall deliver to the Purchaser consents to act as directors or officers of the Purchaser, and deliver to the Purchaser and the Exchange Form 2A Personal Information Forms (“**PIF**”) for each new director or officer of the Purchaser (or a copy of a previously filed PIF dated within the last three years, together with duly completed, signed and notarized Form 2C1 Declaration) if such forms have not previously been provided to the Exchange.
- (2) **Approval for Securities Exchange.** NAC and Brassneck shall, as promptly as practicable after the execution of this Agreement, will (i) make, or cause to be made, all such filings and submissions under all Applicable Laws, as may be required for to consummate the Securities Exchange in accordance with the terms of this Agreement, (ii) use all reasonable commercial efforts to obtain, or cause to be obtained, all Authorizations necessary or advisable to be obtained by it in order to consummate such exchange, and (iii) use all reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfil its obligations under this Agreement. NAC and Brassneck will coordinate and cooperate with one another in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with the foregoing including, without limitation, providing each other with all notices and information supplied or filed with any Governmental Authority or the Exchange (except for notices and information which the Corporation or the Purchaser, in each case acting reasonably, considers highly confidential and sensitive which may be filed on a confidential basis), and all notices and correspondence received from any Governmental Authority or the Exchange.

Section 4.9 Filing Statement, News Releases and Required Exchange Disclosure

- (1) Brassneck shall with the assistance of NAC prepare and file with the TSXV on a timely basis, the Filing Statement together with any other documents including the Brassneck Financial Statements and the NAC Financial Statements, as required by Applicable Laws in Canada (which shall be in form and content satisfactory to the TSXV) and be prepared in accordance with the requirements of the TSXV Policies and all other Applicable Laws in Canada and the Parties shall use their reasonable commercial efforts to file the Filing Statement with the TSXV within five (5) Business Days of receipt by Brassneck of the NAC Filing Statement Information.

- (2) To the extent applicable, NAC shall provide to Brassneck, or cause to be provided, as soon as reasonably practicable, certain documentation in the possession of NAC, the NAC Subsidiaries or its Affiliates required to be referenced or included in the Filing Statement, including:
- (i) the NAC Financial Statements required under TSXV Form 3B2;
 - (ii) the certificates required under TSXV Form 3B2;
 - (iii) all information concerning NAC, the NAC Subsidiaries and its Affiliates and the proposed directors and officers required to be included in TSXV Form 3B2; and
 - (iv) PIFs as referenced in TSXV Policy Form 2A for filing with the TSXV.
- (3) NAC covenants and agrees that, from the date of this Agreement until the Closing Date or termination of this Agreement, except with the prior written consent of Brassneck (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement or required by Applicable Laws, it will:
- (i) provide Brassneck with all NAC Filing Statement Information required for the Filing Statement in a timely manner and ensure that such information provided by it expressly for inclusion in the Filing Statement does not, at the time of the mailing of the Filing Statement, contain any Misrepresentation;
 - (ii) indemnify and save harmless Brassneck and its directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Brassneck or its directors, officers, employees advisors and agents may be subject or which Brassneck or its directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any Misrepresentation contained solely in any NAC Filing Statement Information included in the Filing Statement that was provided to Brassneck expressly for inclusion in the Filing Statement;
 - (ii) NAC or the NAC Subsidiaries not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;except that NAC will not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of any information contained in the Filing Statement, other than NAC Filing Statement Information that was provided to Brassneck by NAC expressly for inclusion in the Filing Statement, or the negligence of Brassneck or the non-compliance by Brassneck with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;
- (4) Brassneck covenants and agrees that, from the date of this Agreement until the Closing Date or termination of this Agreement, except with the prior written consent of NAC (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement or required by Applicable Laws, it will:

- (i) subject to compliance by NAC with its obligations set forth in Section 4.9(3), as soon as practicable after the execution and delivery of this Agreement, prepare the Filing Statement together with any other documents required by Applicable Laws in connection with the Brassneck Meeting required to be filed or prepared by Brassneck and, subject to Section 4.9(3), as soon as practicable after the execution and delivery of this Agreement, Brassneck shall, unless otherwise agreed by NAC, cause the Filing Statement and other documentation required in connection with Transaction to be sent to the Exchange and be filed as required by Applicable Laws;
- (ii) provide NAC and its legal counsel a reasonable opportunity to review and comment on drafts of the Filing Statement and other documents to be sent to the Exchange in connection with the Transaction, and will give reasonable consideration to any comments made by NAC and its legal counsel, provided that all information included in the Filing Statement and any other documents to be sent to the Exchange in connection with the Transaction relating to NAC will be in form and content satisfactory to NAC, acting reasonably;
- (iii) ensure that the Filing Statement (other than any NAC Filing Statement Information that was provided to Brassneck by NAC expressly for inclusion in the Filing Statement) complies with Applicable Laws and, without limiting the generality of the foregoing, that the Filing Statement will not contain a Misrepresentation;
- (iv) indemnify and save harmless NAC from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which NAC may be subject or which NAC may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any Misrepresentation in the Filing Statement other than in respect of NAC Filing Statement Information therein or in any material filed by Brassneck in connection with the transactions contemplated by this Agreement in compliance or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any Misrepresentation in the Filing Statement other than in respect of NAC Filing Statement Information or in any material filed by or on behalf of Brassneck in compliance or intended compliance with Applicable Securities Laws; and
 - (iii) Brassneck not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Brassneck will not be liable in any such case to the extent that any such Liabilities, claims, demands, Losses, costs, damages and expenses arise out of any NAC Filing Statement Information included in the Filing Statement that was provided to Brassneck expressly for inclusion in the Filing Statement, or the negligence of either of NAC or the non-compliance by NAC with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement; and

- (v) promptly inform NAC of any requests or comments made by Securities Authorities in connection with the Filing Statement; and each of the Parties will cooperate with the

other and will diligently do all such acts and things as may be necessary in the manner contemplated in the context of the preparation of the Filing Statement and use its reasonable commercial efforts to resolve all requests or comments made by Securities Authorities with respect to the Filing Statement and any other required filings under Applicable Laws as promptly as practicable after receipt thereof.

Section 4.10 Exclusive Dealing

- (1) Except as provided by this Agreement, NAC agrees that, as and from the date hereof through the earlier of: (i) the Closing Date; and (ii) the termination of this Agreement, subject to the written consent of Brassneck, NAC shall not nor permit any of its or NAC's Subsidiaries' officers, directors, Employees, consultants, advisors, representatives, agents or other parties acting on its behalf, to solicit, initiate, knowingly encourage, cooperate with or facilitate (including by way of furnishing any non-public information or entering into any form of agreement, arrangement or understanding) the submission, initiation or continuation of any oral or written inquiries or proposals or expressions of interest regarding, constituting or that may reasonably be expected to lead to any activity, arrangement or transaction or propose any activities or solicitations in opposition to or in competition with the Transaction, and without limiting the generality of the foregoing, not to sell any of the NAC Assets or the Business or induce or attempt to induce any other person to initiate any shareholder proposal or "takeover bid," exempt or otherwise, within the meaning of the *Securities Act* (British Columbia), for securities of NAC or the NAC Assets, nor to undertake any transaction or negotiate any transaction which would be or potentially could be in conflict with the Transaction from any Person (other than the Brassneck Parties), including, without limitation, allowing access to any third party to conduct due diligence, nor to permit any of its officers or directors to authorize such access, except as required by statutory obligations. In the event NAC, including any of its or NAC's Subsidiaries officers or directors, receives any formal written form of offer or inquiry, NAC shall forthwith (in any event within one business day following receipt) notify Brassneck of such offer or inquiry and provide Brassneck with such details as it may request.
- (2) Except as provided by this Agreement, the Brassneck Parties agree that, as and from the date hereof through the earlier of: (i) the Closing Date; and (ii) the termination of this Agreement, subject to the written consent of NAC, it shall not nor permit it nor any of its respective officers, directors, employees, consultants, advisors, representatives, agents or other parties acting on its behalf, to solicit, initiate, knowingly encourage, cooperate with or facilitate (including by way of furnishing any non-public information or entering into any form of agreement, arrangement or understanding) the submission, initiation or continuation of any oral or written inquiries or proposals or expressions of interest regarding, constituting or that may reasonably be expected to lead to any activity, arrangement or transaction or propose any activities or solicitations in opposition to or in competition with the Transaction from any Person (other than NAC), and without limiting the generality of the foregoing, not to sell any assets or Brassneck's business or induce or attempt to induce any other person to initiate any shareholder proposal or "takeover bid," exempt or otherwise, within the meaning of the *Securities Act* (Alberta), for securities or assets, nor to undertake any transaction or negotiate any transaction which would be or potentially could be in conflict with the Transaction, including, without limitation, allowing access to any third party to conduct due diligence, nor to permit any of its officers or directors to authorize such access, except as required by statutory obligations. In the event that either of the Brassneck Parties, including any of its officers or directors, receives any formal written form of offer or inquiry, the applicable Brassneck Parties shall forthwith (in any event within one business day following receipt) notify NAC of such offer or inquiry and provide NAC with such details as it may request.

ARTICLE 5 OTHER COVENANTS

Section 5.1 Representations and Warranties

- (1) NAC covenants and agrees that from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in Section 3.1 being untrue or misleading in any material respect.
- (2) Each of Brassneck and Brassneck Subco covenants and agrees that, from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in Section 3.2 being untrue or misleading in any material respect.

Section 5.2 Notice of Material Change

- (1) From the date hereof until the termination of this Agreement, each Party shall promptly notify the other Parties in writing of:
 - (i) any material change (actual, anticipated, contemplated or, to the knowledge of such Party threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of such Party taken as whole;
 - (ii) any Material Adverse Change;
 - (iii) any change in the facts relating to any representation or warranty set out in Section 3.1 or Section 3.2 hereof, as applicable, which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or
 - (iv) any material fact which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.
- (2) Each of Brassneck and NAC shall in good faith discuss with the other any change in circumstances (actual, anticipated, contemplated or threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other pursuant to this section.

Section 5.3 Other Filings

The Parties shall, as promptly as practicable hereafter, prepare and file all filings required under Applicable Securities Laws, the rules of the Exchange or any other Applicable Laws relating to the Transaction contemplated hereby.

Section 5.4 Additional Agreements

- (1) Subject to the terms and conditions of this Agreement and subject to fiduciary obligations under Applicable Laws, each of the Parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Transaction

contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including, as applicable, using commercially reasonable efforts:

- (i) to obtain all necessary waivers, consents and approvals from other parties to material agreements, Leases and other Contracts or agreements;
 - (ii) to defend all lawsuits or other Legal Proceedings challenging this Agreement or the consummation of the Transaction contemplated hereby;
 - (iii) to cause to be lifted or rescinded any injunction or restraining Order or other Order adversely affecting the ability of the Parties to consummate the Transaction contemplated hereby;
 - (iv) to effect all necessary registrations and other filings and submissions of information requested by Governmental Authorities; and
 - (v) to fulfill all conditions and satisfy all provisions of this Agreement.
- (2) For purposes of the foregoing, the obligation to use “**commercially reasonable efforts**” to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties.

ARTICLE 6 CLOSING CONDITIONS

Section 6.1 Conditions Precedent to the obligations of the Brassneck Parties

- (1) The completion of the Transaction and the Securities Exchange is subject to the following conditions to be fulfilled or performed prior to Closing by NAC or an Affiliate, which conditions are for the exclusive benefit of the Brassneck Parties and may be respectively waived, in whole or in part, by the Brassneck Parties in their sole discretion.
 - (i) **Truth of Representations and Warranties.** All of the representations and warranties of the Corporation contained in or made pursuant to this Agreement shall have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date, and the Chief Executive Officer and Chief Financial Officer of the Corporation shall have executed and delivered a certificate to that effect to the Brassneck Parties at Closing. The receipt of such certificate and the Closing shall not constitute a waiver by the Purchaser of any of the representations and warranties of the Corporation which are contained in this Agreement. Upon the delivery of such certificate, the representations and warranties of the NAC made in Section 3.1 shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.
 - (ii) **Performance of Covenants.** The Corporation shall have, in all material respects to the satisfaction of the Brassneck Parties, fulfilled or complied with all of the obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by each of them at or prior to the Closing, and the Chief Executive Officer and Chief

Financial Officer of the Corporation shall have executed and delivered a certificate to that effect to the Brassneck Parties at Closing.

- (iii) **No Material Adverse Change.** Between the date hereof and the Closing Time, there will not have occurred any Material Adverse Change with respect NAC, and the Chief Executive Officer and Chief Financial Officer of the Corporation shall have executed and delivered a certificate to that effect to the Brassneck Parties at Closing.
- (iv) **NAC Shareholder Approval.** NAC shall have held the NAC Shareholder Meeting and obtained approval from the NAC Shareholders for the NAC Name Change and the Amalgamation.
- (v) **Approvals.** All third party consents, waivers, Permits, orders and approvals required in connection with the consummation of the Transaction will have been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Closing Time, except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect the Brassneck Parties or would not prevent or materially impede the completion of the Transaction contemplated hereby.
- (vi) **Filing Statement.** Each of Brassneck and NAC shall have executed and delivered a copy of the Filing Statement to the Exchange and such Filing Statement shall have been accepted by the Exchange.
- (vii) **Due Diligence.** Brassneck shall have completed its investigation into the Corporation, the NAC Subsidiaries, the Business, the NAC Assets and all other matters it deems relevant and such investigation shall not have disclosed any matter which the Purchaser, acting reasonably, considers to be materially adverse to the Corporation, the Business or the NAC Assets or materially adverse to its decision to complete the Transaction.
- (viii) **Securityholder Agreements.** The Corporation shall have entered into the Ancillary Agreements and provided the Purchaser with copies of the following:
 - (i) Option Conversion Agreements with each of the NAC Optionholders;
 - (ii) Performance Escrow Agreements with each of the holders of Performance Shares; and
 - (iii) the TSXV Escrow Agreements required by the Exchange pursuant to TSXV Policies.
- (ix) **Lock-Up Agreements.** The Corporation shall have delivered lock-up agreements signed by each of the senior officers and directors and shareholders holding more than 5% of Brassneck Shares (on a post-Transaction basis, but excluding Brassneck Shares issued upon the exercise of the Subscription Receipts) and each of such shareholder's associates and affiliates to the Agent pursuant to the agency agreement to be entered into in connection with the NAC Financing.
- (x) **Management Appointments.** Brassneck shall have received consents from Chuck Rifici, Rocco Meliambro, Jeff Hunt, Marc Lustig, and Dr. John Gillis to act as directors of Brassneck with effect as of the Closing Time.

- (xi) **No Action.** No act, action, suit, Legal Proceeding, objection or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Governmental Authority or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case: (a) to cease trade, enjoin, prohibit or impose material conditions on the Transaction or the transactions contemplated therein or herein; (b) to cease trade, enjoin, prohibit or impose material conditions on the rights of Brassneck to own or exercise full rights of ownership of Amalco, including the rights to vote the Amalco Shares, upon the completion of the Transaction or conduct the Business conducted by NAC; (c) to prohibit or restrict the completion of the Transaction in accordance with the terms hereof or otherwise relating to the Transaction; or (d) that would have a Material Adverse Effect, or would materially adversely affect either of the Brassneck Parties.
- (xii) **Foreign Private Issuer.** Upon effecting the Amalgamation, less than fifty percent (50%) of the outstanding voting securities of Brassneck (and, upon Closing, the Resulting Issuer) shall be directly or indirectly held of record by U.S. Persons such that Brassneck is considered to be a “**foreign private issuer**” under the US Securities Act and any applicable United States securities laws.
- (xiii) **Sponsorship.** Brassneck shall have obtained a waiver of TSXV sponsorship requirements under the TSXV Policies, or in the alternative, a Sponsor (as defined in the TSXV Policies) filing an acceptable Sponsor’s report with the TSXV.
- (xiv) **Deliveries.** NAC shall have delivered all items contemplated by this Section 6.1 and by Section 7.2.

Section 6.2 Conditions Precedent to the Obligations of NAC

- (1) The completion of the Transaction and the Securities Exchange is subject to the following conditions to be fulfilled or performed prior to the Closing by the Brassneck Parties, which conditions are for the exclusive benefit of the Corporation and may be waived, in whole or in part, by the Corporation in its sole discretion:
 - (i) **Truth of Representations and Warranties.** The representations and warranties of the Brassneck Parties contained in this Agreement and in any Ancillary Agreement shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date and the Purchaser shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing shall not constitute a waiver of the representations and warranties of the Brassneck Parties which are contained in this Agreement. Upon delivery of such declaration, the representations and warranties of the Purchaser in or made pursuant to this Agreement shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.
 - (ii) **Performance of Covenants.** The Brassneck Parties shall have fulfilled or complied with all obligations, covenants and agreements contained in this Agreement and in any Ancillary Agreement to be fulfilled or complied with by it at or prior to the Closing and Brassneck shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing shall not constitute a waiver by the NAC

of the covenants of the Brassneck Parties which are contained in this Agreement or any Ancillary Agreements.

- (iii) **No Material Adverse Change.** Between the date hereof and the Closing Date, there will not have occurred any Material Adverse Change with respect to the Brassneck Parties.
- (iv) **Approvals.** All third party consents, waivers, Permits, orders and approvals required in connection with the consummation of the Transaction will have been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Closing Date, except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect NAC or would not prevent or materially impede the completion of the Transactions contemplated hereby.
- (v) **Filing Statement.** Each of Brassneck and NAC shall have executed and delivered a copy of the Filing Statement to the Exchange and such Filing Statement shall have been accepted by the Exchange.
- (vi) **No Action.** No Legal Proceeding or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Governmental Authority or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case: (a) to cease trade, enjoin, prohibit or impose material conditions on the Transaction or the transactions contemplated therein or herein; (b) to cease trade, enjoin, prohibit or impose material conditions on the rights of Brassneck to own or exercise full rights of ownership of the Amalco Shares, including the rights to vote the Amalco Shares, upon the completion of the Transaction or conduct the Business conducted by NAC; (c) to prohibit or restrict the completion of the Transaction in accordance with the terms hereof or otherwise relating to the Transaction; or (d) that would have a Material Adverse Effect, or would materially adversely affect NAC.
- (vii) **NAC Shareholder Approval.** NAC shall have held the NAC Shareholder Meeting and obtained approval from the NAC Shareholders for the NAC Name Change and the Amalgamation.
- (viii) **Management Appointments.** Brassneck shall have:
 - (i) received written resignations and releases from each director and officer of Brassneck, in each case with effect from the Closing Time, in a form satisfactory to NAC, acting reasonably; and
 - (ii) received consents from Chuck Rifici, Rocco Meliambro, Jeff Hunt, Marc Lustig, and Dr. John Gillis to act as directors of Brassneck with effect as of the Closing Time.
- (ix) **Share Split and Name Change.** Brassneck shall have completed the Brassneck Share Split and Brassneck Name Change.
- (x) **Deliveries.** The Brassneck Parties shall have delivered all items contemplated by this and by this Section 6.2 and by Section 7.3.

Section 6.3 Mutual Conditions Precedent

- (1) The respective obligations of the Parties hereto to complete each step of the Transaction Closing Date, of the following conditions precedent, each of which may be waived only by the mutual consent of the Parties:
 - (i) there shall not be in force any Order or decree restraining or enjoining the consummation of the Transaction;
 - (ii) this Agreement shall not have been terminated pursuant to Article 8;
 - (iii) the NAC Financing shall have closed on or prior to the Amalgamation;
 - (iv) the Exchange shall have conditionally accepted the Transaction and the listing of the Brassneck Shares issuable pursuant to the Transaction (including Brassneck Shares issuable upon the conversion of the Convertible Notes and the Subscription);
 - (v) Brassneck shall have delivered a lock-up agreement to the Agent pursuant to the agency agreement to be entered into in connection with the NAC Financing; and
 - (vi) all Regulatory Approvals shall have been obtained, including conditional acceptance of the Transaction by the Exchange.

Section 6.4 Notice and Effect of Failure to Comply with Covenants or Conditions

- (1) Each Party shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Closing Date, of any event or state of facts that would, or would be likely to, (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect, or (ii) result in the failure to comply with or satisfy any covenant or condition to be complied with or satisfied by any Party hereunder; provided, however, that no such notification shall affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.
- (2) If any of the conditions precedent set out in any of Section 6.1, Section 6.2 or Section 6.3 is not satisfied or waived by the Party for whose benefit such condition is provided on or before the date required for the satisfaction thereof, then the Party for whose benefit the condition precedent is provided may, in addition to any other remedies it may have at law or equity, terminate this Agreement as provided for in Section 8.1(1)(ii), provided that the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters that the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or conditions precedent and shall provide in such notice that the other Party shall be entitled to cure any breach of a covenant or representation and warranty or other matters within five Business Days after receipt of such notice (except that no cure period shall be provided for a breach that, by its nature, cannot be cured and, in no event, shall any cure period extend beyond the Outside Date). More than one such notice may be delivered by a Party.

ARTICLE 7
CLOSING ARRANGMENTS AND PUBLICITY

Section 7.1 Closing of the Amalgamation and Closing Date

Subject to the satisfaction or waiver by the applicable Party of the conditions in favour of each Party set out in Article 6, the Parties shall hold the Closing on the Closing Date, at such time as agreed to by the Corporation and the Purchaser (on behalf of itself and Brassneck Subco) and at the offices of Borden Ladner Gervais LLP in Calgary, Alberta or at such other place as agreed to by the Corporation and the Purchaser (on behalf of itself and Brassneck Subco) and shall immediately thereafter deliver to the Registrar the Amalgamation Application and such other documents as may be required to give effect to the Amalgamation. The Amalgamation shall become effective at the Closing Time on the Closing Date.

Section 7.2 Closing Deliveries of NAC

- (1) The Corporation shall deliver or cause to be delivered to the Purchaser the following in form and substance satisfactory to the Purchaser acting reasonably:
 - (i) the certificates referred to in Section 6.1(1)(i), Section 6.1(1)(ii) and Section 6.1(1)(iii);
 - (ii) certified true copies of (i) the Governing Documents of the Corporation, and (ii) all resolutions of the board of directors of the Corporation approving the Transaction, the Agreement, the completion of the NAC Financing and the Convertible Note Offering, and all other matters related to the Transaction;
 - (iii) a certificate of incumbency of the directors and officers of the Corporation delivered from the Chief Executive Officer and Chief Financial Officer of the Corporation;
 - (iv) a certificate of status, compliance, good standing or like certificate with respect to the Corporation issued by the Registrar and the appropriate government officials of each jurisdiction in which the Corporation carries on its business dated within three days of the Closing Date;
 - (v) a certificate of status, compliance, good standing or like certificate respect to NA Canada issued by the appropriate government officials in its jurisdiction of incorporation and in each jurisdiction in which the Cannapply carries on its business dated within three days of the Closing Date;
 - (vi) a certificate of status, compliance, good standing or like certificate respect to Cannapply issued by the appropriate government officials in its jurisdiction of incorporation and in each jurisdiction in which Cannapply carries on its dated within three days of the Closing Date;
 - (vii) a certificate of the Chief Executive Officer and Chief Financial Officer of NAC confirming that no rights of dissent under the Act were exercised by NAC Shareholders in connection with the Amalgamation;
 - (viii) certified copies of the minutes of the NAC Shareholder Meeting evidencing NAC Shareholder approval of the NAC Name Change, the Amalgamation and related matters;

- (ix) certificates representing the outstanding NAC Shares, NAC Options, Agent's Warrants, Broker Warrants and NAC Performance Warrants or other evidence reasonably satisfactory to the Brassneck Parties of the securities to be exchanged for Resulting Issuer Shares, Resulting Issuer Agent's Warrants, Resulting Issuer Broker Warrants, Resulting Issuer Performance Warrants and Replacement Options pursuant to the Transaction in accordance with the provisions of this Agreement;
- (x) original share and securities registers, share transfer ledgers, minute books and corporate seals (if any) of NAC, NA Canada, and Cannapply, and their respective Books and Records;
- (xi) certificates from each NAC Shareholder that is a US Person acknowledging and representing that such person qualifies for an exemption from the prospectus and registration requirement under the US Securities Act pursuant to an exemption in Regulation D;
- (xii) evidence of the required consents pursuant to Section 4.7(1);
- (xiii) the Ancillary Agreements executed by the Corporation, as applicable;
- (xiv) the TSXV Escrow Agreement required by the Exchange duly executed by the parties to such agreement (other than Brassneck);
- (xv) the lock-up agreements duly executed by the parties to such agreement (other than the Agents) pursuant to Section 6.1(1)(ix);
- (xvi) a legal opinion in form and substance satisfactory to the Exchange and the Brassneck Parties, each acting reasonably, that sets out, among other things: (i) the corporate good standing of each of NAC, NA Canada and Cannapply; and (ii) the legal and beneficial holdings of each of NAC, NA Canada and Cannapply's securities; and
- (xvii) such other documentation as Brassneck reasonably requests on a timely basis in order to establish the completion of the Transaction and the taking of all corporate proceedings in connection with the Transaction (as to certification and otherwise), in each case in form and substance satisfactory to Brassneck, acting reasonably.

Section 7.3 Closing Deliveries of Brassneck and Brassneck Subco

- (1) The Purchaser shall deliver or cause to be delivered to the Corporation the following in form and substance satisfactory to the Purchaser, acting reasonably:
 - (i) the certificates referred to in Section 6.2(1)(i), Section 6.2(1)(ii) and Section 6.1(1)(iii);
 - (ii) the Purchaser shall have issued and delivered the securities contemplated by the Securities Exchange;
 - (iii) a certificate of status for Brassneck issued by the applicable registrar under the ABCA and a certificate of good standing for Brassneck Subco issued by the Registrar of Companies for British Columbia dated within three days of the Closing Date;
 - (iv) a certified copy of the Governing Documents of each of the Brassneck Parties;

- (v) a certificate of incumbency for each of the Brassneck Parties delivered from a senior officer of each of the Brassneck Parties;
- (vi) evidence that Brassneck is a reporting issuer not in default of Applicable Securities Laws from the Securities Authorities in each of the Reporting Jurisdictions dated within three days of the Closing Date;
- (vii) a certified copy of the minutes of the annual and special meeting of Brassneck held on June 6, 2017;
- (viii) confirmation of the completion of the Brassneck Share Split and Brassneck Name Change by production of (a) a certified true copy of the authorizing directors' resolutions for the Share Split; (b) a copy of the Exchange's acceptance letter for the Share Split; and (c) a copy of the Articles of Amendment filed pursuant to the ABCA;
- (ix) the TSXV Escrow Agreement executed by the Purchaser and the Escrow Agent;
- (x) the lock-up agreements duly executed by the Purchaser pursuant to Section 6.3(1)(v);
- (xi) a certified copy of the resolutions of all of the directors of the Purchaser dated on or prior to the Closing Date, authorizing the Brassneck Name Change, the Brassneck Share Split, and approval of the Agreement and all related matters;
- (xii) a certified copy of the shareholder resolution of the sole shareholder of Brassneck Subco (being Brassneck) approving the Amalgamation;
- (xiii) the required consents pursuant to Section 4.7(2); and
- (xiv) the written resignations of all directors and officers of the Purchaser dated effective as of the Closing Date.

Section 7.4 Publicity

So long as this Agreement is in effect, Brassneck and NAC shall advise, consult and cooperate with each other prior to issuing, or permitting any of their directors, officers, employees or agents to issue, any press release or other written public or private statement to the press with respect to this Agreement and the Transaction contemplated hereby from the date hereof until the Closing Date. Each such Party shall not issue any such press release or make any such written public or private statement prior to such consultation, except as may be required by Applicable Laws or by obligations pursuant to any listing agreement with the Exchange and only after using its reasonable efforts to consult with the other Parties taking into account the time constraints to which it is subject as a result of such Applicable Law or obligation.

ARTICLE 8 TERMINATION AND AMENDMENT

Section 8.1 Termination

- (1) This Agreement may be terminated by written notice promptly given to the other Parties hereto, at any time prior to the Closing Date:

- (i) by mutual agreement in writing by the Parties;
- (ii) by either Party as provided in Section 6.4(2) provided that the failure to satisfy the particular condition precedent being relied upon as a basis for termination of this Agreement did not occur as a result of a breach by the Party seeking to rely on the condition precedent of any of its covenants or obligations under the Agreement; or
- (iii) the Closing Date has not occurred by the Outside Date.

Section 8.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 8.1 hereof, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of NAC, Brassneck or Brassneck Subco hereunder except as set forth in Section 4.4(3), Section 7.4, and Section 9.2 hereof, and this Section 8.2, which provisions shall survive the termination of this Agreement. Nothing herein shall relieve any Party from liability for any breach of this Agreement.

Section 8.3 Amendment

This Agreement may, at any time on or before the Closing Date, be amended by mutual agreement between the Parties hereto. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the Parties hereto.

Section 8.4 Waiver

A Party may (i) extend the time for the performance by any other Party of the obligations owed to it; (ii) waive compliance with any other Party's agreements or the fulfillment of any of its conditions contained herein; or (iii) waive inaccuracies in another Party's representations or warranties owed to it and contained herein or in any document delivered by such other Party hereto; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Parties.

ARTICLE 9 GENERAL

Section 9.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or sent by prepaid overnight courier to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

if to NAC:

National Access Cannabis Corp.
1111 Wellington Street West
Ottawa, Ontario K1Y 2Y6

Attention: Mark Goliger, Chief Executive Officer
Telephone No.: (604) 688-2568
Facsimile No.: (604) 688-2578

with a copy, which shall not constitute notice to:

Owen Bird Law Corporation
Three Bentall Centre, 29th Floor
595 Burrard Street
PO Box 49130
Vancouver, BC V7X 1J5

Attention: Kari Richardson
Telephone No.: (604) 640-6355
Facsimile No.: (604) 681-0139
Email: kricharson@owenbird.com

or to such other address as the Party to or upon whom notice is to be given or served has communicated to the other Parties by notice given or served in the manner provided for in this section. In the case of delivery or telecopy transmission, notice shall be deemed to be given on the date of delivery and in the case of mailing, notice shall be deemed to be given on the third Business Day after such mailing.

If to Brassneck or Brassneck Subco:

Brassneck Capital Corp.
Suite 1900, 520 3rd Avenue SW
Calgary, Alberta T2P 0R3

Attention: Connor Cruise, Chief Executive Officer and Chief Financial Officer
Telephone No.: (604) 318-6804
Facsimile No.: (604) 681-4692

with a copy, which shall not constitute notice to:

Borden Ladner Gervais LLP
Centennial Place, East Tower, Suite 1900
520 - 3rd Avenue S. W.
Calgary, Alberta T2P 0R3

Attention: Michael Saliken
Telephone No.: (403) 232-9600
Facsimile No.: (403) 266-1395
Email: msaliken@blg.com

Section 9.2 Expenses

The Parties hereto shall be responsible for the payment of their own professional fees (including but not limited to legal and accounting fees) and other expenses incurred by them in connection with this Agreement.

Section 9.3 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Parties.

Section 9.4 Further Assurances

Each Party hereto shall, from time to time, and at all times hereafter, at the request of the other Parties hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

Section 9.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.6 Investigation by Parties

No investigations made by or on behalf of any Party or any of its respective authorized agents at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by another Party in or pursuant to this Agreement.

Section 9.7 Governing Law, Choice of Form

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each of the Parties attorns and submits to the exclusive jurisdiction of the Supreme Court of British Columbia with respect to any matter arising under or related to the Agreement.

Section 9.8 Non-Merger

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on and shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of any Party, shall continue in full force and effect. Closing shall not prejudice any right of one Party against any other Party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

Section 9.9 Entire Agreement

This Agreement together with the Ancillary Agreements to be entered into as contemplated by this Agreement (the “**Other Agreements**”) constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and the Other Agreements and supersede all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. Except as specifically set out in this Agreement or the Other Agreements, there are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral,

statutory or otherwise, that form part of or affect this Agreement or the Other Agreements or which induced any Party to enter into this Agreement or the Other Agreements. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement or any Other Agreement, or any amendment or supplement hereto or thereto, by any Party to this Agreement or any Other Agreement or its Representatives, to any other Party or its Representatives, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement or that Other Agreement, and none of the parties to this Agreement or any Other Agreement has been induced to enter into this Agreement or any Other Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in Contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.

Section 9.10 Counterpart Execution and Electronic Delivery

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Remainder of page intentionally left blank – signatures follow]

IN WITNESS WHEREOF the Parties have caused this Amalgamation Agreement to be duly executed as of the date first written above.

BRASSNECK CAPITAL CORP.

Per: "Connor Cruise"

Connor Cruise
Chief Executive Officer and
Chief Financial Officer

1119622 B.C. LTD.

Per: "Connor Cruise"

Connor Cruise
President and Chief Executive Officer

NATIONAL ACCESS CANNABIS CORP.

Per: "Connor Cruise"

Chuck Rifici
Chairman

SCHEDULE A

THIS IS SCHEDULE A ATTACHED TO AND FORMING PART OF AN AMALGAMATION AGREEMENT BETWEEN BRASSNECK CAPITAL CORP., 1119622 B.C. LTD., AND NATIONAL ACCESS CANNABIS CORP. DATED JULY 10, 2017



**BRITISH
COLUMBIA**
The Best Place on Earth

**Ministry
of Finance**
BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria, BC V8W 9V3
Location:
2nd Floor - 940 Blanshard Street
Victoria BC
www.fin.gov.bc.ca/registries

AMALGAMATION APPLICATION

FORM 13 - BC COMPANY

Sections 275
Business Corporations Act

Telephone: 250 356-8626

DO NOT MAIL THIS FORM to the BC Registry Services unless you are instructed to do so by registry staff. The Regulation under the *Business Corporations Act* requires the electronic version of this form to be filed on the Internet at www.corporateonline.gov.bc.ca

Freedom of Information and Protection of Privacy Act (FOIPPA): Personal information provided on this form is collected, used and disclosed under the authority of the FOIPPA and the *Business Corporations Act* for the purposes of assessment. Questions regarding the collection, use and disclosure of personal information can be directed to the Executive Coordinator of the BC Registry Services at 250 356-1198, PO Box 9431 Stn Prov Govt, Victoria BC V8W 9V3.

A. INITIAL INFORMATION – *When the amalgamation is complete, your company will be a BC limited company.*

What kind of company(ies) will be involved in the amalgamation?
(Check all applicable boxes.)

BC company

BC unlimited liability company

B. NAME OF COMPANY – *Choose one of the following:*

The name **NATIONAL ACCESS CLINIC CORP.** is the name reserved for the amalgamated company.
The name reservation number is: NR _____, OR

The company is to be amalgamated with a name created by adding “B.C. Ltd.” after the incorporation number, OR

The amalgamated company is to adopt, as its name, the name of one of the amalgamating companies.
The name of the amalgamating company being adopted is: **NATIONAL ACCESS CLINIC CORP.**

The incorporation number of that company is: **BC1018851**

Please note: If you want the name of an amalgamating corporation that is a foreign corporation, you must obtain a name approval before completing this amalgamation application.

C. AMALGAMATION STATEMENT – *Please indicate the statement applicable to the amalgamation.*

With Court Approval:
This amalgamation has been approved by the court and a copy of the entered court order approving the amalgamation has been obtained and has been deposited in the records office of each of the amalgamating companies.

OR

Without Court Approval:

- This amalgamation has been effected without court approval. A copy of all of the required affidavits under section 277(1) have been obtained and the affidavit obtained from each amalgamating company has been deposited in that company's records office.

D. AMALGAMATION EFFECTIVE DATE – Choose *one* of the following:

- The amalgamation is to take effect at the time that this application is filed with the registrar.
- The amalgamation is to take effect at 12:01 a.m. Pacific Time on _____ being a date that is not more than ten days after the date of the filing of this application.
- The amalgamation is to take effect at _____ a.m. or p.m. Pacific Time on _____ being a date and time that is not more than ten days after the date of the filing of this application.

E. AMALGAMATING CORPORATIONS

Enter the name of each amalgamating corporation below. For each company, enter the incorporation number. If the amalgamating corporation is a foreign corporation, enter the foreign corporation's jurisdiction and if registered in BC as an extraprovincial company, enter the extraprovincial company's registration number. Attach an additional sheet if more space is required.

NAME OF AMALGAMATING CORPORATION	BC INCORPORATION NUMBER, OR EXTRAPROVINCIAL REGISTRATION NUMBER IN BC	FOREIGN CORPORATION'S JURISDICTION
1. 1119622 B.C. LTD	BC1119622	
2. NATIONAL ACCESS CLINIC CORP.	BC1018851	
3.		
4.		
5.		

F. FORMALITIES TO AMALGAMATION

If any amalgamating corporation is a foreign corporation, section 275 (1)(b) requires an authorization for the amalgamation from the foreign corporation's jurisdiction to be filed.

- This is to confirm that each authorization for the amalgamation required under section 275(1)(b) is being submitted for filing concurrently with this application.

G. CERTIFIED CORRECT – I have read this form and found it to be correct.

This form must be signed by an authorized signing authority for each of the amalgamating companies as set out in Item E.

NAME OF AUTHORIZED SIGNING AUTHORITY FOR THE AMALGAMATING CORPORATION	SIGNATURE OF AUTHORIZED SIGNING AUTHORITY FOR THE AMALGAMATING CORPORATION	DATE SIGNED (YYYY / MM / DD)
1. _____ For 1119622 B.C. Ltd.	X	2017 / ____ / ____
2. _____ For National Access Clinic Corp.	X	2017 / ____ / ____

NOTICE OF ARTICLES

A. NAME OF COMPANY

Set out the name of the company as set out in Item B of the Amalgamation Application.

NATIONAL ACCESS CLINIC CORP.

B. TRANSLATION OF COMPANY NAME

Set out every translation of the company name that the company intends to use outside of Canada.

C. DIRECTOR NAME(S) AND ADDRESS(ES)

Set out the full name, delivery address and mailing address (if different) of every director of the company. The director may select to provide either (a) the delivery address and, if different, the mailing address for the office at which the individual can usually be served with records between 9 a.m. and 4 p.m. on business days or (b) the delivery address and, if different, the mailing address of the individual's residence. The delivery address must not be a post office box. Attach an additional sheet if more space is required.

LAST NAME	FIRST NAME	MIDDLE NAME	DELIVERY ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ZIP CODE	MAILING ADDRESS INCLUDING PROVINCE/STATE, COUNTRY AND POSTAL/ZIP CODE
			18106 – 3590 Rivergate Way, Ottawa, ON K1V 1V6	18106 – 3590 Rivergate Way, Ottawa, ON K1V 1V6

D. REGISTERED OFFICE ADDRESSES

DELIVERY ADDRESS OF THE COMPANY'S REGISTERED OFFICE (INCLUDING BC and POSTAL CODE)

1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2

MAILING ADDRESS OF THE COMPANY'S REGISTERED OFFICE (INCLUDING BC and POSTAL CODE)

1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2

E. RECORDS OFFICE ADDRESSES

DELIVERY ADDRESS OF THE COMPANY'S RECORDS OFFICE (INCLUDING BC and POSTAL CODE)

1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2

MAILING ADDRESS OF THE COMPANY'S RECORDS OFFICE (INCLUDING BC and POSTAL CODE)

1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2

F. AUTHORIZED SHARE STRUCTURE

Identifying name of class or series of shares	Maximum number of shares of this class or series of shares that the company is authorized to issue, or indicate there is no maximum number	Kind of shares of this class or series of shares		Are there special rights or restrictions attached to the shares of this class or series of shares?
	MAXIMUM NUMBER OF SHARES AUTHORIZED OR NO MAXIMUM NUMBER	PAR VALUE OR WITHOUT PAR VALUE	TYPE OF CURRENCY	YES/NO
Common	no maximum number	without par value	n/a	No

SCHEDULE B

THIS IS SCHEDULE B ATTACHED TO AND FORMING PART OF AN AMALAGAMATION AGREEMENT BETWEEN BRASSNECK CAPITAL CORP., 1119622 B.C. LTD., AND NATIONAL ACCESS CANNABIS CORP. DATED JULY 10, 2017

BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

ARTICLES

- of -

NATIONAL ACCESS CLINIC CORP.

Amalgamation number: _____

PART 1 – INTERPRETATION

1.1 Definitions. In these Articles, unless the context otherwise requires:

- (a) “Board of Directors” or “Board” or “the directors” means the directors or the sole director of the Company for the time being, as the case may be;
- (b) “Business Corporations Act” means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments to that Act and includes all regulations and amendments made pursuant to that Act;
- (c) “Company” means NATIONAL ACCESS CLINIC CORP. or any other name which it may from time to time change to and adopt pursuant to the Business Corporations Act;
- (d) “prescribed address” of a director means the address as recorded in the register of directors to be kept pursuant to the Business Corporations Act;
- (e) “registered address” of a shareholder means the last known address of that shareholder as recorded in the central securities register to be kept pursuant to the Business Corporations Act;
- (f) “registered owner”, when used with respect to a share of the Company, means the person registered in the central securities register as the shareholder in respect of such share.

1.2 Business Corporations Act and Interpretation Act Definitions Applicable. The definitions in the Business Corporations Act and the definitions and rules of construction in the *Interpretation Act* (British Columbia) as it may be amended (the “Interpretation Act”), with the necessary changes and so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the Business Corporations Act and a definition or rule in the Interpretation Act relating to a term used in these Articles, the definition in the Business Corporations Act prevails in relation to the use of the term in these Articles. If there is a conflict between these Articles and the Business Corporations Act, the Business Corporations Act prevails.

PART 2 – RESOLUTIONS AND MAJORITIES

2.1 Directors' Resolution. Subject to the Business Corporations Act, the Company may, by a resolution of the directors:

- (a) if the special rights and restrictions attached to shares of a class so authorize:
 - (i) create one or more series of shares out of a class of shares, and before the issue of any shares of such series:
 - (A) determine the maximum number or determine that there is no maximum number of shares that the Company is authorized to issue for such series of shares created;
 - (B) create and attach special rights or restrictions to the shares of any such series of shares created; and
 - (C) create an identifying name for the shares of any such series of shares created;
 - (ii) for a series of shares of which there are no issued shares:
 - (A) alter any determination of the number of shares of which the series shall consist;
 - (B) alter any special rights or restrictions attached to the shares of the series of shares; or
 - (C) alter the identifying name of shares of the series of shares;
- (b) redeem or repurchase shares;
- (c) accept a surrender of shares by way of gift or for cancellation;
- (d) convert fractional shares into whole shares on a subdivision or consolidation of shares or on a redemption, purchase or surrender of shares;
- (e) change its name;
- (f) adopt or change a translation of its name;
- (g) subdivide all or any of its unissued shares with par value into shares of smaller par value;
- (h) subdivide all or any of its unissued shares without par value;
- (i) consolidate all or any of its unissued shares with par value into shares of larger par value;
- (j) consolidate all or any of its unissued shares without par value;
- (k) eliminate any class or series of shares if none of the shares of that class or series of shares are allotted or issued;

- (l) change all or any of its unissued shares with par value into shares without par value;
- (m) change all or any of its unissued shares without par value into shares with par value; or
- (n) alter the identifying name of any of its classes of shares;

and make any necessary alterations to its notice of articles or these Articles or both to effect the change.

2.2 Ordinary Resolution. Subject to the Business Corporations Act, the Company may, by an ordinary resolution:

- (a) deal with those matters set out in Article 2.1;
- (b) establish a maximum number of shares that the Company is authorized to issue out of any class of shares for which no maximum is established;
- (c) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class of shares;
- (d) for a class of shares of which there are no issued shares, create special rights or restrictions for, and attach those special rights or restrictions to, the shares of the class of shares; or
- (e) for a class of shares of which there are no issued shares, vary or delete any special rights or restrictions attached to the shares of the class of shares;

and make any necessary alterations to its notice of articles or these Articles or both to effect the change.

2.3 Special Resolution. Subject to the Business Corporations Act, the Company may, by a special resolution:

- (a) deal with those matters set out in Article 2.1 and Article 2.2;
- (b) alter its notice of articles;
- (c) alter these Articles;
- (d) create one or more classes of shares;
- (e) subdivide all or any of its fully paid issued shares with par value into shares of smaller par value;
- (f) subdivide all or any of its fully paid issued shares without par value;
- (g) consolidate all or any of its fully paid issued shares with par value into shares of larger par value;
- (h) consolidate all or any of its fully paid issued shares without par value;
- (i) if the Company is authorized to issue shares of a class of shares with par value;
 - (i) subject to the Business Corporations Act, decrease the par value of those shares,
or

- (ii) increase the par value of those shares if none of the shares of that class of shares are allotted or issued;
- (j) change all or any of its fully paid issued shares with par value into shares without par value;
- (k) for a class or series of shares of which there are issued shares, create special rights or restrictions for, and attach those special rights or restrictions to, the shares of the class or series of shares;
- (l) for a class or series of shares of which there are issued shares, vary or delete any special rights or restrictions attached to the shares of the class or series of shares; or
- (m) otherwise alter its authorized share structure when required or permitted to do so by the Business Corporations Act.

2.4 **Special Majority.** The majority of votes required for the Company to pass a special resolution at a general meeting is 2/3 of the votes cast on the resolution by shareholders voting shares that carry the right to vote at general meetings.

2.5 **Special Separate Majority.** The majority of votes required to pass a special separate resolution at a class meeting is 2/3 of the votes cast on the resolution by shareholders voting shares that carry the right to vote at the class meeting.

2.6 **Consent Resolution.** A consent resolution in writing, whether by signed documents, fax, e-mail or any other method of transmitting legibly recorded messages, of shareholders or directors or a committee of directors is as valid as if it had been passed at a duly called and held meeting of the shareholders, directors or committee, as the case may be. The consent resolution may be executed in any number of counterparts, each of which when executed and delivered (by fax, email or otherwise) is deemed to be an original, and all of which together constitute one consent resolution in writing.

PART 3 – SHARE CERTIFICATES

3.1 **Mailing of Certificates.** Any share certificate may be mailed by registered mail, postage prepaid, to the shareholder entitled to that certificate at that shareholder's registered address and the Company is not liable for any loss occasioned to the shareholder if that share certificate is lost or stolen. In respect of a share held jointly by several persons, mailing of a certificate for that share to one of several joint holders or to a duly authorized agent of any of the joint holders is sufficient delivery to all.

3.2 **Replacement of Lost or Destroyed Certificate.** If a share certificate:

- (a) is worn out or defaced, the directors may, upon production to them of that certificate and upon such other terms, if any, that they determine, order the certificate to be cancelled and issue a new certificate to replace the cancelled certificate;
- (b) is lost, stolen or destroyed, then upon production of proof to the satisfaction of the directors and upon provision of such indemnity and security, if any, that the directors deem adequate, a new share certificate must be issued to the person entitled to the lost, stolen or destroyed certificate.

3.3 Consolidation of Certificates. If two or more certificates are surrendered by their registered owner to the Company together with a written request that the Company issue one certificate registered in that registered owner's name representing the aggregate of the shares represented by the certificates so surrendered, the Company must cancel the certificates so surrendered and issue in their place one certificate in accordance with the request.

3.4 Fee for Certificates. There must be paid to the Company in respect of the issue of any certificate pursuant to this Part 3 such amount, if any, as the directors may from time to time determine and which must not exceed the amount prescribed in the Business Corporations Act.

3.5 Non-Recognition of Trusts. Except as required by law or statute or these Articles, no person is recognized by the Company as holding any share upon any trust and the Company is not bound by or compelled in any way to recognize (even when having notice of any trust) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety in the shareholder.

3.6 Central Securities Register. As required by and subject to the Business Corporations Act, the Company must maintain in British Columbia a central securities register. The directors may, subject to the Business Corporations Act, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

PART 4 – ISSUE, TRANSFER AND TRANSMISSION OF SHARES

4.1 Directors Authorized to Issue Shares. Subject to any direction to the contrary contained in a resolution passed at a general meeting authorizing any increase of capital, the issue of shares is under the control of the directors who may issue, otherwise dispose of or grant options on shares authorized but not yet issued at any time, to any person including a director, in the manner, upon the terms and conditions and at the price or for the consideration as the directors, in their absolute discretion, may determine.

4.2 Transferability and Instrument of Transfer. Subject to the restrictions, if any, set forth in these Articles, any shareholder may transfer that shareholder's shares by an instrument in writing executed by or on behalf of that shareholder and delivered to the Company or its transfer agent. The instrument of transfer of any share of the Company must be in the form, if any, provided on the back of the Company's form of share certificate or in any other form which the directors may approve. If the directors so require, each instrument of transfer must be in respect of only one class of shares.

4.3 Submission of Instruments of Transfer. Every instrument of transfer must be executed by the transferor and provided to the Company or the office of its transfer agent or registrar for registration together with the share certificate for the shares to be transferred and such other evidence, if any, as the directors or the transfer agent or registrar may require to prove the title of the transferor or the transferor's right to transfer the shares. If the transfer is registered, the instrument of transfer must be retained by the Company or its transfer agent or registrar. If the transfer is not registered, the instrument of transfer must be returned to the person depositing it together with the share certificate that accompanied it when tendered for registration.

4.4 **Authority in Instrument of Transfer.** The signature of a shareholder or of that shareholder's duly authorized attorney on the instrument of transfer authorizes the Company to register the shares specified in the instrument of transfer in the name of the person named in that instrument of transfer as transferee or, if no person is so named, in any name designated in writing by the person depositing the share certificate and the instrument of transfer with the Company or its transfer agent or registrar.

4.5 **Enquiry as to Title Not Required.** Neither the Company nor any of its directors, officers or agents is bound to enquire into any title of the transferor of any shares to be transferred and none of them is liable to any person for registering the transfer.

4.6 **Transfer Fee.** There must be paid to the Company in respect of the registration of any transfer such amount, if any, as the directors may from time to time prescribe.

4.7 **Personal Representative Recognized.** Upon the death or bankruptcy of a shareholder, that shareholder's legal personal representative or trustee in bankruptcy, although not a shareholder, has the same rights, privileges and obligations that attach to the shares formerly held by the deceased or bankrupt shareholder if the documents required by the Business Corporations Act have been deposited at the Company's registered office. This Article does not apply on the death of a shareholder with respect to shares registered in that shareholder's name and the name of another person in joint tenancy.

4.8 **Jointly Held Shares.** If there are joint shareholders in respect of a share and in the case of the death or bankruptcy of one of the joint shareholders, the legal personal representative of the deceased or the trustee in bankruptcy of the bankrupt shareholder, as the case may be, and the surviving joint shareholder or shareholders are the only persons recognized by the Company as having any title to or interest in the share so held jointly.

PART 5 – PURCHASE OF SHARES

5.1 **Company Authorized to Purchase its Shares.** Subject to the provisions of this Part 5, the Business Corporations Act and the special rights and restrictions attached to any class of shares, the Company may, by a resolution of the directors:

- (a) purchase any of its shares at the price and upon the terms specified in that resolution; and
- (b) sell any of its shares so purchased but not cancelled at the price and upon the terms specified in that resolution.

5.2 **Offer to Purchase Shares.** Before the Company purchases any of its shares, it must make an offer, to every shareholder who holds shares of the class or series of shares to be purchased, to purchase rateably from those shareholders the number of shares of that class or series of shares that the Company wishes to purchase unless:

- (a) the purchase is made through a securities exchange or a quotation and trade reporting system;
- (b) the shares are being purchased:
 - (i) from an employee or former employee of the Company or of an affiliate of the Company; or

- (ii) in the case of shares beneficially owned by an employee or former employee of the Company or of an affiliate of the Company, from the registered owner of the shares;
- (c) in respect of a specific share purchase, the Company is, for that purchase, relieved of its obligation to make an offer to purchase rateably from those shareholders holding shares of the class or series of shares from which the shares are to be purchased by a special separate resolution of those shareholders;
- (d) the purchase is one made pursuant to an order of the court upon application by a shareholder;
- (e) the purchase is of all of the notice shares of a dissenter;
- (f) the purchase is one made pursuant to an arrangement proposed by the Company with shareholders, creditors or other persons;
- (g) the purchase is of fractional shares; or
- (h) in respect of an offer to a specific shareholder, that shareholder, in writing, waives the right to receive an offer to purchase rateably that shareholder's shares before or after the purchase of the Company of any of its shares.

PART 6 – BORROWING POWERS

6.1 Powers of Directors. Subject to the Business Corporations Act, the directors may from time to time at their discretion authorize the Company to:

- (a) borrow any amount of money;
- (b) guarantee the repayment of any amount of money borrowed by any person or corporation; and
- (c) guarantee the performance of any obligation of any person or corporation;

and may raise or secure the repayment of any amount of money so borrowed or guaranteed or any obligation so guaranteed in any manner and upon any terms and conditions as they may think fit and in particular and without limiting the generality of the foregoing by the issue of bonds, debentures or other debt obligations or by the granting of any mortgages or other security interest on the undertaking of the whole or any part of the property of the Company, both present and future.

6.2 Negotiability of Debt Obligations. The directors may make any bonds, debentures or other debt obligations issued by the Company by their terms assignable free from any equities between the Company and the person to whom they may be issued or any other person who lawfully acquires them by assignment, purchase or otherwise.

6.3 Special Rights on Debt Obligations. The directors may authorize the issue of any bonds, debentures or other debt obligations of the Company at a discount, premium or otherwise and with special or other rights or privileges as to redemption, surrender, drawings, allotment of or conversion into or exchange for shares, attending at general meetings of the Company and otherwise as the directors may determine at or before the time of issue.

6.4 **Execution of Debt Obligations.** If the directors so authorize or if any instrument under which any bonds, debentures or other debt obligations of the Company are issued so provides, any bonds, debentures and other debt obligations of the Company, instead of being manually signed by the directors or officers authorized in that behalf, may have the facsimile signatures of those directors or officers printed or otherwise mechanically reproduced thereon, and in either case is as valid as if signed manually, and every bond, debenture or other debt obligation so bearing facsimile signatures of directors or officers of the Company must be manually signed, countersigned or certified by or on behalf of a registrar, branch registrar, transfer agent or branch transfer agent of the Company duly authorized to do so by the directors or the instrument under which such bonds, debentures or other debt obligations are issued. Notwithstanding that any person whose facsimile signature is so used has ceased to hold the office that he or she is stated on any bond, debenture or other debt obligation to hold at the date of the actual issue of that bond, debenture or other debt obligation, the bond, debenture or other debt obligation is valid and binding on the Company.

PART 7 – GENERAL MEETINGS

7.1 **Location of General Meetings.** Every general meeting must be held at such time and location as the directors may determine.

7.2 **General Meeting Participation.** A shareholder or proxy holder who is entitled to participate in, including vote at, a meeting of shareholders may do so by video conference or telephone if all shareholders and proxy holders participating in the meeting, whether by video conference, telephone or in person, are able to communicate with each other. If all shareholders or proxy holders who are entitled to participate in, including vote at, a meeting consent, a shareholder or proxy holder may participate in the meeting by a communications medium other than video conference or telephone if all shareholders and proxy holders participating in the meeting are able to communicate with each other. A shareholder or proxy holder who participates in a meeting by a communications medium other than video conference or telephone is deemed to have agreed to participate by the other communications medium. A shareholder or proxy holder who participates in a meeting by video conference, telephone or other communications medium is deemed for all purposes of the Business Corporations Act and these Articles to be present at the meeting and must be counted in the quorum for and is entitled to communicate and vote at that meeting, and the meeting is deemed to be held at the location specified in the notice of meeting.

7.3 **Notice of General Meetings.** Notice of a general meeting must specify the time and location of the meeting and, in case of special business (as described in Part 8), the general nature of that business.

7.4 **Waiver of Notice.** Any person entitled to notice of a general meeting may waive or reduce the period of notice for that meeting in writing or otherwise and may do so before, during or after the meeting.

7.5 **Record Date for Notice.** The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Business Corporations Act, by more than four months.

7.6 **Failure to Give Notice.** The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting.

7.7 **Notice of Special Business at General Meeting.** If any special business includes the presenting, considering, approving, ratifying or authorizing the execution of any document, then the portion

of any notice relating to that document is sufficient if it states that a copy of the document or proposed document is or will be available for inspection by shareholders at a place in the Province of British Columbia specified in that notice during business hours in any working day or days prior to the date of the meeting.

PART 8 – PROCEEDINGS AT GENERAL MEETINGS

8.1 **Special Business.** All business at a general meeting is deemed to be special business except the consideration of the financial statements and the reports of the directors and auditors, the election of directors, appointment of auditors and such other business as under these Articles ought to be transacted at an annual general meeting or any business which is brought under consideration by the report of the directors.

8.2 **Quorum.** Subject to this Part 8, a quorum for a general meeting is two individuals who are shareholders, proxy holders representing shareholders or duly authorized representatives of corporate shareholders personally present and representing shares aggregating not less than 10% of the issued shares of the Company carrying the right to vote at that meeting. In the event there is only one shareholder, the quorum is one person personally present and being, or representing by proxy, that shareholder, or in the case of a corporate shareholder, a duly authorized representative of that shareholder.

8.3 **Requirement of Quorum.** No business other than the election of a chair and the adjournment or termination of the meeting may be transacted at any general meeting unless a quorum is present at the commencement of the meeting but the quorum need not be present throughout the meeting.

8.4 **Lack of Quorum.** If within 30 minutes from the time appointed for a meeting a quorum is not present, the meeting:

- (a) if convened by requisition of the shareholders, must be terminated; and
- (b) in any other case, must stand adjourned to the same day in the next week at the same time and place.

If at the adjourned meeting a quorum is not present within 30 minutes from the time appointed, the shareholder or shareholders present in person, by proxy or by authorized representative is or are a quorum.

8.5 **Chair.** The chair of the Board, if any, or in his or her absence the President, if any, is entitled to act as chair at every general meeting. If at any general meeting the chair of the Board, if any, and the President, if any, are not present within 15 minutes after the time appointed for holding the meeting or if neither is willing to act as chair, the directors present must choose one of their number to act as chair. If no director is present or if all the directors present decline to act as chair or fail to so choose, the persons present must choose one of their number to act as chair.

8.6 **Adjournments.** The chair of the meeting may, with the consent of any meeting at which a quorum is present and must, if so directed by the meeting, adjourn the meeting from time to time and from place to place. No business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. If a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of a general meeting. It is otherwise not necessary to give any notice of an adjourned meeting or of the business to be transacted at any adjourned meeting.

8.7 **Voting.** Every question submitted to a general meeting must be decided:

- (a) if a ballot is demanded by a shareholder or proxy holder entitled to vote at the meeting or is directed by the chair, by ballot; or
- (b) in any other case, by a show of hands or by any other manner that adequately discloses the intentions of the shareholders or proxy holders.

The chair must declare to the meeting the decision on every question in accordance with the result of the ballot, the show of hands or the other manner that adequately disclosed the intentions of the shareholders or proxy holders and that decision must be entered in the minute book of the Company. A declaration of the chair that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the minute book of the Company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

8.8 **Resolution Need Not Be Seconded.** No resolution proposed at a meeting need be seconded and the chair of any meeting is entitled to move or second a resolution.

8.9 **Casting Vote.** In case of an equality of votes upon a resolution, whether on a show of hands or by ballot or any other manner, the chair does not have a casting vote in addition to the vote or votes to which he or she may be entitled as a shareholder.

8.10 **Manner of Taking Ballot.** If a ballot is duly demanded, it must be taken at once or in the manner the chair of the meeting directs. A demand for a ballot may be withdrawn. In the case of any dispute as to the admission or rejection of a vote the chair must conclusively determine whether that vote is admitted or rejected.

8.11 **Splitting Votes.** On a ballot, a shareholder entitled to more than one vote need not, if that shareholder votes, use all that shareholder's votes or cast all the votes that shareholder uses in the same way.

8.12 **Demand for Ballot Not to Prevent Continuance of Meeting.** The demand for a ballot does not prevent the continuance of a meeting for the transaction of any business other than the question on which a ballot has been demanded.

8.13 **Retention of Ballots and Proxies.** The Company must, for at least three months after a meeting of shareholders, keep each ballot cast and each proxy voted at the meeting and, during the period, make them available for inspection during statutory business hours by any shareholder or proxy holder entitled to vote at the meeting. At the end of the three-month period, the Company may destroy such ballots and proxies.

PART 9 – VOTES OF SHAREHOLDERS

9.1 **Number of Votes Per Share or Shareholder.** Subject to any special rights or restrictions attached to any share contained in these Articles, on a show of hands every shareholder entitled to vote present in person, by proxy or by authorized representative has one vote and on a ballot every shareholder entitled to vote on that ballot has one vote for every whole share held by that shareholder and a fractional vote in proportion to any fraction of a share held by that shareholder.

9.2 **Votes of Persons in Representative Capacity.** A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a ballot, and may appoint a proxy holder to act at the meeting if, before doing so, the person satisfies the chair of the meeting or the directors

that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

9.3 **Votes by Joint Holders.** If there are joint shareholders registered in respect of any share, any one of the joint shareholders may vote at any meeting in person, by proxy or by authorized representative in respect of the share as if that joint shareholder were solely entitled to it. If more than one of the joint shareholders is present at any meeting in person, by proxy or by authorized representative, the joint shareholder so present whose name stands first on the central securities register in respect of the share is alone entitled to vote in respect of that share. For the purpose of this Part 9, two or more executors or administrators of a deceased shareholder in whose sole name any share stands are deemed joint shareholders.

9.4 **Representative of a Corporate Shareholder.** If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint, by an instrument in writing, a person to act as its authorized representative at any meeting of shareholders of the Company, and:

- (a) for that purpose, the instrument appointing the authorized representative must:
 - (i) be received at the registered office of the Company or at any other place specified in the notice calling the meeting for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, not less than 48 hours before the time for holding the meeting; or
 - (ii) be deposited with the chair of the meeting, or to a person designated by the chair of the meeting, prior to the commencement of the meeting;
- (b) if an authorized representative is appointed under this Part 9:
 - (i) the authorized representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the authorized representative represents as that corporation could exercise if it were a shareholder who is an individual including, without limitation, the right to appoint a proxy holder; and
 - (ii) the authorized representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

An instrument appointing an authorized representative of a corporation must be in writing signed by a duly authorized person on behalf of that corporation and must be sent to the Company.

9.5 **Appointment of Proxy Holders.** A shareholder holding more than one share in respect of which that shareholder is entitled to vote at a general meeting is entitled to appoint one or more proxy holders to attend, act and vote for that shareholder at the general meeting and in so doing that shareholder must specify the number of shares that each proxy holder is entitled to vote.

9.6 **Execution of Proxy Instrument.** A proxy must be in writing signed by the appointor or the appointor's attorney or, if the appointor is a corporation, by the authorized representative or a duly authorized person on behalf of that corporation.

9.7 Qualification of Proxy Holder. A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (a) the person appointing the proxy holder is a corporation or an authorized representative of a corporation appointed under this Part 9;
- (b) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or
- (c) the Company, by a resolution of the directors, permits the proxy holder to attend and vote at the meeting.

9.8 Deposit of Proxy. A proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or other authority must be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice calling the meeting not less than 48 hours before the time for holding the meeting at which the person named in the proxy proposes to vote or must be deposited with the chair of the meeting, or with a person designated by the chair of the meeting, prior to the commencement of the meeting. In addition to any other method of depositing proxies provided for in these Articles, the directors may from time to time make regulations:

- (a) permitting the depositing of proxies at some place or places other than the place at which a meeting or adjourned meeting of shareholders is to be held;
- (b) providing for particulars of those proxies to be sent in writing or by fax, e-mail or any other method of transmitting legibly recorded messages before a meeting or an adjourned meeting to the Company or any agent of the Company for the purpose of receiving those particulars; and
- (c) providing that particulars of those proxies may be voted as though the proxies themselves were produced to the chair of the meeting or of the adjourned meeting as required by these Articles.

Votes given in accordance with proxies and particulars of proxies so deposited are valid and counted.

9.9 Validity of Proxy Vote. A vote given in accordance with the terms of a proxy is valid notwithstanding the previous death, bankruptcy or incapacity of the shareholder or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that prior to the meeting no notice in writing of such death, bankruptcy, incapacity, revocation or transfer has been received at the registered office of the Company or by the chair of the meeting or of the adjourned meeting at which the vote was given.

9.10 Form of Proxy. A proxy appointing a proxy holder must be in the following form or in any other form that the directors approve:

(Name of Company)

The undersigned hereby appoints _____
_____ or failing him or her _____

as proxy holder for the undersigned to attend at and vote for and on behalf of the undersigned at the general meeting of the Company to be held on the ____ day of _____, ____, and at any adjournment of that meeting.

Signed this ____ day of _____, ____.

(Signature of Shareholder)

9.11 Revocation of Proxy. Subject to this Part, every proxy may be revoked by an instrument in writing that is received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used or deposited with the chair of the meeting, or with a person designated by the chair of the meeting, prior to the commencement of the meeting.

9.12 Revocation of Proxy Will Be Signed. An instrument to revoke a proxy must be signed as follows:

- (a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;
- (b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by a duly authorized person on behalf of the corporation or by the authorized representative appointed for the corporation under this Part 9.

PART 10 – DIRECTORS

10.1 General Authority. Subject to these Articles, the directors may exercise all powers and do all acts and things as the Company is by the Business Corporations Act, these Articles or otherwise authorized to exercise and do and which are not by these Articles, by statute or otherwise lawfully directed or required to be exercised or done by the Company by unanimous resolution, exceptional resolution, special resolution or ordinary resolution.

10.2 Number of Directors. The number of directors may be determined by ordinary resolution. The number of directors may be changed from time to time by ordinary resolution whether previous notice of that ordinary resolution has been given or not. If at any time the Company becomes a public company and the number of directors fixed pursuant to these Articles is less than three, then the number of directors is deemed to have been increased to three.

10.3 Directors' Acts Valid Despite Vacancy. An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

10.4 Qualification of Directors. A director is not required to hold a share in the capital of the Company as qualification for his or her office, but must be qualified as required by the Business Corporations Act to become, act or continue to act as a director.

10.5 Remuneration and Expenses of Directors. The remuneration of the directors as such may from time to time be determined by the directors. Any remuneration of a director is in addition to any

salary or other remuneration paid to him or her as an officer or employee of the Company. Every director must be repaid such reasonable expenses as he or she may incur in and about the business of the Company. Other than remuneration for professional services described in this Part 10, if any director performs any services for the Company that in the opinion of the directors are outside the ordinary duties of a director or if he or she is specifically occupied in or about the Company's business other than as a director, he or she may be paid a remuneration to be fixed by the directors. The remuneration so fixed may be either in addition to or in substitution for any other remuneration that he or she may be entitled to receive and the additional remuneration may be charged as part of ordinary working expenses of the Company. Unless otherwise determined by ordinary resolution, the directors may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company, to his or her spouse or dependants and they may also make any contributions to any fund and pay premiums for the purchase or provision of any gratuity, pension or allowance in respect of that director.

10.6 **Right to Office and Contract with Company.** A director may hold any office or place of profit in the Company, other than auditor, in conjunction with his or her office of director for the period and on such terms as the directors may determine. Subject to compliance with the Business Corporations Act, no director or intended director is disqualified by his or her office from contracting with the Company with regard to his or her tenure of office or place of profit or as vendor, purchaser or otherwise.

10.7 **Director Acting in Professional Capacity.** Any director may act by him or herself or his or her firm in a professional capacity for the Company and he or she or his or her firm is entitled to remuneration for professional services as if he or she were not a director.

10.8 **Alternate Directors.** Any director may from time to time appoint any person who is approved by resolution of the directors to be his or her alternate director provided that approval is not required if a director is appointed alternate director for another director. The appointee, while he or she holds office as an alternate director, is entitled to notice of meetings of the directors and, in the absence of the director for whom he or she is an alternate, to attend and vote at meetings as a director and is not entitled to be remunerated otherwise than out of the remuneration of the director appointing him or her. Any director may make or revoke an appointment of his or her alternate director by notice in writing sent to the Company. A person may act as an alternate for more than one director at any given time and a director may act as an alternate director for any other director. No person may act as an alternate director unless that person qualifies under the Business Corporations Act to act as a director of the Company. Every alternate director, if authorized by the notice appointing him or her, may sign any consent resolution in place of the director appointing him or her.

PART 11 – ELECTION, APPOINTMENT AND REMOVAL OF DIRECTORS

11.1 **Election and Appointment.** The shareholders may elect or appoint directors at any time and from time to time.

11.2 **Elections and Appointments at Annual General Meetings.** At each annual general meeting, all the directors retire and the shareholders must elect or appoint a Board of Directors consisting of the number of directors for the time being fixed pursuant to Part 10. Any retiring director is eligible for re-election or re-appointment. If the holding of an annual general meeting of the Company is deferred or waived by a unanimous resolution of all shareholders entitled to vote at the annual general meeting, each director in office on the annual reference date selected in the unanimous resolution continues to be a director until the next annual reference date unless that director retires or is removed prior to the next annual reference date.

11.3 **Filling a Casual Vacancy.** The directors may at any time and from time to time appoint any person as a director to fill a casual vacancy among the directors or a vacancy resulting from an increase of the number of directors.

11.4 **Power to Appoint Additional Directors.** Between successive annual general meetings, the directors have the power to appoint one or more additional directors but not more than one-third the number of directors elected or appointed at the last annual general meeting at which directors were elected or appointed. Any director so appointed may hold office only until the next following annual general meeting of the Company but is eligible for election at such meeting and, so long as he or she is an additional director, the number of directors is increased accordingly.

11.5 **Removal of Directors.** If a director is convicted of an indictable offence or ceases to be qualified to act as a director of the Company and does not promptly resign, the Company may remove the director before the expiration of the director's term of office by a resolution of the directors. The Company may otherwise remove a director before the expiration of the director's term of office by a special resolution of the shareholders.

PART 12 – PROCEEDINGS OF DIRECTORS

12.1 **Meetings and Quorum.** The directors may hold meetings as they think fit for the dispatch of business and may adjourn and otherwise regulate their meetings and proceedings as they think fit. The directors may from time to time fix the quorum necessary for the transaction of business and unless so fixed the quorum is a majority of the Board.

12.2 **Chair.** The chair of the Board, if any, of the Company is entitled to act as chair of every meeting of the Board but if at any meeting the chair of the Board, if any, is not present within 15 minutes after the time appointed for holding the meeting, or if the chair of the Board is not willing to act as chair, the directors present must choose one of their number to act as chair.

12.3 **Call and Notice of Meetings.** A director may at any time call a meeting of the directors. Notice specifying the time and place of that meeting may be personally given or sent to each director and must be given at least 48 hours before the time appointed for holding the meeting or such lesser time as may be reasonable under the circumstances. It is not necessary to give to any director notice of a meeting of directors immediately following a general meeting at which that director has been elected or notice of a meeting of directors at which that director was appointed.

12.4 **Validity of Meeting Despite Failure to Give Notice.** The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director does not invalidate any proceedings at that meeting.

12.5 **Meeting Participation.** A director may participate in a meeting of the directors or of any committee of the directors by video conference or telephone if all directors participating in the meeting, whether by video conference or telephone or in person, are able to communicate with each other. If all the directors consent, a director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than video conference or telephone if all directors participating in the meeting are able to communicate with each other. A director who participates in a meeting by a communications medium other than video conference or telephone is deemed to have agreed to participate by the other communications medium. A director who participates in a meeting by video conference, telephone or other communications medium is deemed for all purposes of the Business Corporations Act and these Articles to be present at the meeting and must be counted in the quorum for and is entitled to communicate and vote at that meeting.

12.6 **Competence of Quorum.** The directors at a meeting at which a quorum is present are competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the directors.

12.7 **Committees.** The directors may from time to time by resolution constitute, dissolve or reconstitute standing committees and other committees consisting of such persons as the directors may determine. Every committee so constituted has the authorities, powers and discretions that may be delegated to it by the directors and must act in accordance with any regulations that the directors may impose upon it.

12.8 **Validity of Meeting if Directorship Deficient.** All acts done by any director or by any member of a committee constituted by the directors, notwithstanding that it is discovered afterwards that there was some defect in the appointment of any person so acting or that he or she was disqualified, are valid.

12.9 **Majority Rule and Casting Vote.** Questions arising at any meeting of the directors must be decided by a majority of votes. In the case of an equality of votes, the chair does not have a casting vote.

PART 13 – OFFICERS

13.1 **Appointment of Officers.** The directors may appoint officers of the Company and may specify their duties. Any individual may be appointed to any office of the Company. Two or more offices of the Company may be held by the same individual.

PART 14 – DIVIDENDS

14.1 **Declaration of Dividends.** Subject to the Business Corporations Act and the rights, if any, of shareholders holding shares with special rights and restrictions, the directors may declare dividends and fix the date of record and the date for payment of any dividend. No date of record for any dividend may precede the date of payment of that dividend by more than the maximum number of days permitted by the Business Corporations Act. No notice need be given of the declaration of any dividend. If no valid date of record is fixed, the date of record is deemed to be the same date as the date of payment of the dividend.

14.2 **Dividend Bears No Interest.** No dividend may bear interest against the Company.

14.3 **Payment in Specie.** The directors may direct payment of any dividend wholly or partly by the distribution of specific assets or of paid-up shares or bonds, debentures or other debt obligations of the Company, or in any one or more of those ways, and if any difficulty arises in regard to the distribution the directors may settle the difficulty as they think fit. The directors may fix the value for distribution of specific assets and may vest any of those specific assets in trustees upon such trusts for the persons entitled to those specific assets as the directors think fit.

14.4 **Fractional Interests.** Notwithstanding the provisions of this Part 14, if any dividend results in any shareholder being entitled to a fraction of a share, bond, debenture or other debt obligation of the Company, the directors may pay that shareholder the cash equivalent in place of that fraction of a share, bond, debenture or other debt obligation. The directors may arrange through a fiscal agent or otherwise for the sale, consolidation or other disposition of fractions of shares, bonds, debentures or other debt obligations of the Company on behalf of shareholders entitled to them.

14.5 **Payment of Dividends.** Any dividend payable in cash by the Company may be paid by cheque mailed to the registered address of the shareholder or in the case of joint shareholders to the

registered address of the joint shareholder first named in the central securities register or to such person or to such address as any shareholder may direct in writing. Every cheque must be made payable to the order of the person to whom it is sent and in the case of joint shareholders to those joint shareholders.

14.6 **Receipt by Joint Shareholders.** If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

PART 15 – ACCOUNTING RECORDS AND AUDITORS

15.1 **Accounts to be Kept.** The directors must cause accounting records to be kept as necessary to properly record the financial affairs and condition of the Company and to comply with the provisions of statutes applicable to the Company.

15.2 **Location of Accounts.** The directors must determine the place at which the accounting records of the Company must be kept and those records must be open to the inspection of any director during the statutory business hours of the Company.

15.3 **Remuneration of Auditors.** The directors may set the remuneration of any auditor of the Company.

PART 16 – SENDING OF RECORDS

16.1 **Manner of Sending Records.** Unless the Business Corporations Act requires otherwise, a record may be sent:

- (a) to the Company by delivery or mail to the Company at the delivery address or mailing address of its registered office or by fax or e-mail to a fax number or e-mail address specified by the Company for that purpose;
- (b) to a director by delivery or mail to the director at the prescribed address of that director or by fax or e-mail to the fax or e-mail address specified for that purpose by the director;
- (c) to a shareholder by delivery or mail to the shareholder at the registered address of that shareholder or by fax or e-mail to the fax or e-mail address specified for that purpose by the shareholder; or
- (d) to the person entitled to a share as a result of the death, bankruptcy or incapacity of a shareholder by delivery or mail or by fax or e-mail to that person at the address specified for that purpose by the person so entitled and until that address, fax number or e-mail address has been so specified, the record may be sent in any manner in which it might have been sent if the death, bankruptcy or incapacity had not occurred.

16.2 **Sending to Joint Holders.** A record may be sent by the Company to joint shareholders in respect of a share registered in their names by sending the record to the joint shareholder first named in the central securities register in respect of that share.

16.3 **Date Record Deemed Received.** If a record is sent by mail, postage prepaid, that record is deemed to have been received on the day, Saturdays, Sundays and holidays excepted, following the date of mailing. If a record is sent by fax, e-mail or any other manner of transmitting visually recorded messages, that record is deemed to have been received on the day it is sent if received before or during statutory

business hours that day and is deemed to have been received on the day, Saturdays and holidays excepted, following the date it is sent if received after statutory business hours or on a Saturday or holiday.

PART 17 – NOTICES

17.1 **Minimum Number of Days.** Notice of a general meeting must be sent to all shareholders holding shares that carry the right to vote at general meetings at least 14 days before the general meeting. Notice of a class or series meeting must be sent to all shareholders holding shares of that class or series at least 14 days before the class or series meeting.

17.2 **Persons to Receive Notice.** Notice of every general meeting must be sent to:

- (a) every shareholder holding a share or shares carrying the right to vote at that meeting on the record date or, if no record date was established by the directors, on the date the notice is sent;
- (b) the personal representative of a deceased shareholder if entitled to notice by the Business Corporations Act;
- (c) the trustee in bankruptcy of a bankrupt shareholder if entitled to notice by the Business Corporations Act;
- (d) every director; and
- (e) the auditor, if any.

No other person is entitled to receive notices of general meetings.

17.3 **Sending of Notice.** Any notice required or permitted by the Business Corporations Act, the regulations or these Articles to be sent by or to a person may be sent in any manner prescribed for the sending of a record by the Business Corporations Act, the regulations or these Articles and the provisions of sections 6 and 7 of the Business Corporations Act shall apply to such notice as if such notice were a record as defined in the Interpretation Act.

PART 18 - EXECUTION OF DOCUMENTS

18.1 **Seal Optional.** The directors may provide a common seal for the Company and may provide for its use. The directors have the power to destroy the common seal and may provide a new common seal.

18.2 **Official Seal.** The directors may provide for use in any other province, state, territory or country an official seal that must have on its face the name of the province, state, territory or country where it is to be used.

18.3 **Affixing of Seal to Documents.** The directors must provide for the safe custody of each of the Company's seals, if any, which shall not be affixed to any instrument except by the authority of a resolution of the directors and by such person or persons as may be prescribed in and by that resolution and the person or persons so prescribed must sign every instrument to which the seal of the Company is affixed in his, her or their presence, provided that a resolution directing the general use of a seal, if any, may at any time be passed by the directors and applies to the use of that seal until countermanded by another resolution of the directors. In the absence of any resolution so authorizing the use of any seal, any seal of the

Company may be affixed to any document that requires the seal of the Company in the presence of all the directors.

PART 19 – INDEMNIFICATION

19.1 **Definitions.** In this Part 19:

- (a) “associated corporation” means a corporation or entity that
 - (i) is or was an affiliate of the Company,
 - (ii) is a corporation, other than the Company, for which the eligible party is or was a director, alternate director or officer, at the request of the Company, or
 - (iii) is a partnership, trust, joint venture or other unincorporated entity for which the eligible party holds or held a position equivalent to that of a director or officer at the request of the Company;
- (b) “eligible party” means a person who is or was a director, alternate director or officer of the Company;
- (c) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;
- (d) “eligible proceeding” means a proceeding in which an eligible party or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director, alternate director or officer or holding or having held a position equivalent to that of a director, alternate director or officer of the Company or an associated corporation,
 - (i) is or may be joined as a party, or
 - (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (e) “expenses” includes costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding; and
- (f) “proceeding” includes any legal proceeding or investigative action, whether current, threatened, pending or completed.

19.2 **Mandatory Indemnification of Eligible Parties.** To the extent the Company is not so prohibited by the Business Corporations Act, the Company must indemnify each eligible party and the heirs and legal personal representatives of each eligible party against all eligible penalties to which each eligible party is or may be liable, and the Company must, after the final disposition of an eligible proceeding pay the expenses actually and reasonably incurred by each eligible party in respect of that proceeding. Each eligible party is deemed to have contracted with the Company on the terms of the indemnity contained in this Part 19.

19.3 **Non-Compliance with Business Corporations Act.** The failure of each eligible party to comply with the Business Corporations Act or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

19.4 **Advance Expenses.** Unless prohibited by applicable law or court order, the Company must pay, as they are incurred, in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an eligible party in respect of the eligible proceeding provided that the Company shall not make such payments unless the Company first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited by applicable law, the eligible party must repay the amounts advanced.

19.5 **Indemnity Restricted.** Despite any other provision of this Part 19, the Company is not obliged to make any payment that is prohibited by the Business Corporations Act or by court order in force at the date the payment is made.

19.6 **Company May Purchase Insurance.** The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (a) is or was serving as a director, alternate director or officer of the Company;
- (b) is or was serving as a director, alternate director or officer of any associated corporation; or
- (c) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity against any liability incurred by him or her in such equivalent position.

PART 20 – RESTRICTION ON SECURITY TRANSFERS

20.1 **Application.** This Part does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

20.2 **Directors May Decline to Approve Transfer.** No security of the Company, other than a non-convertible debt security, may be sold, transferred or otherwise disposed of without the approval of the directors. Notwithstanding anything contained in these Articles, the directors may in their absolute discretion decline to approve any sale, transfer or other disposition of a security of the Company (other than non-convertible debt security) or to approve the registration of the transfer of such a security of the Company in the central securities register or other registers of the Company and the directors are not required to disclose their reasons for declining approval.

20.3 **Offer to Other Shareholders.** Subject to this Part 20, shares in the capital of the Company must not be transferred except under the following conditions:

- (a) A person (the “Proposing Transferor”) desiring to transfer any shares in the Company must give notice in writing (the “Transfer Notice”) to the Company that the Proposing Transferor desires to transfer those shares (the “Offered Shares”). The Transfer Notice must specify the price (in Canadian Dollars) and the terms of payment upon which the Proposing Transferor is prepared to transfer the Offered Shares and constitute the Company as the Proposing Transferor’s agent for the sale of the Offered Shares to any shareholder or shareholders of the Company at the price and upon the terms of payment so specified. The Transfer Notice must also state whether the Proposing Transferor has had an offer to

purchase the Offered Shares or any of them from, or proposes to sell the Offered Shares or any of them to, any particular person or persons, and if so, then the names and addresses of those persons must be specified in the Transfer Notice. The Transfer Notice constitutes an offer on the terms set out in this Part 20 by the Proposing Transferor to the other shareholders of the Company holding shares in the class or classes included in the Transfer Notice and is not revocable except with the consent of the directors. If the Transfer Notice pertains to shares of more than one class, then the price and terms of payment for each class of shares must be stated separately in the Transfer Notice.

- (b) The directors must forthwith upon receipt of the Transfer Notice deliver a copy of it to each shareholder, other than the Proposing Transferor, holding shares of the class or classes set forth in the Transfer Notice delivered to the Company and request that shareholder to state in writing within 28 days from the date on the Transfer Notice (the “Notice Period”) whether that shareholder is willing to purchase any of the shares offered in the Transfer Notice and if so, the maximum number of shares that shareholder is willing to purchase. A shareholder is only entitled to purchase shares of the class or classes of shares held by that shareholder.
- (c) Upon the expiration of the Notice Period, if the directors have received from the shareholders entitled to receive the Transfer Notice sufficient acceptances to purchase all the Offered Shares, then the directors must, on a class by class basis, apportion the Offered Shares among the shareholders so accepting (each, an “Accepting Shareholder” and collectively, the “Accepting Shareholders”) as follows:
 - (i) the directors must apportion that number of Offered Shares of each class to each Accepting Shareholder holding and accepting shares of that class equal to the lesser of:
 - (A) the number of Offered Shares of the class that the Accepting Shareholder agreed to purchase (“Number of Accepted Shares”); and
 - (B) the product obtained by multiplying the number of Offered Shares of the class by the ratio of shares of that class then held by that Accepting Shareholder in relation to all shares of that class then held by all Accepting Shareholders holding and accepting shares of that class (the “Pro Rata Entitlement”); and
 - (ii) to the extent all Offered Shares of the class have not been apportioned to the Accepting Shareholders pursuant to Article 20.3(c)(i), the directors must apportion to each Accepting Shareholder holding shares of that class whose Number of Accepted Shares exceeded that shareholder’s Pro Rata Entitlement (such excess being the “Acceptance Differential”) that number of the Offered Shares of the class yet to be apportioned equal to the product obtained by multiplying the number of Offered Shares of the class yet to be apportioned by the ratio of that Accepting Shareholder’s Acceptance Differential in relation to the aggregate Acceptance Differential of all such Accepting Shareholders.

If the directors have not received sufficient acceptances to purchase all the Offered Shares of the class, then the directors may, but only with the consent of the Proposing Transferor (who will not be obliged to sell in the aggregate less than all the Offered Shares), apportion the Offered Shares of the class among the Accepting Shareholders on the basis of each of

their Pro Rata Entitlement but only up to the Number of Accepted Shares for each of them respectively. After an apportionment has been so made and upon payment of the price for the Offered Shares apportioned, the Proposing Transferor will be bound to transfer the Offered Shares in accordance with that apportionment and if the Proposing Transferor fails to do so, then the Company will cause the name of the purchasing shareholders to be entered in the central securities register as the holders of the Offered Shares and will cancel the share certificates representing the Offered Shares whether they have been produced to the Company or not. Payment to the Company of the purchase price will be sufficient payment by each Accepting Shareholder and entry of the transfer in the central securities register will be conclusive evidence of the validity of the transfer.

- (d) If the directors:
 - (i) have apportioned some but not all of the Offered Shares pursuant to Article 20.3(c) (the remaining Offered Shares being the “Remaining Shares”), then the Proposing Transferor will be at liberty for a period of 90 days after the expiration of the Notice Period to transfer to any person any of the Offered Shares that have not been apportioned to Accepting Shareholders pursuant to Article 20.3(c); or
 - (ii) have not apportioned any of the Offered Shares pursuant to Article 20.3(c) due to the Proposing Transferor refusing to sell in the aggregate less than all the Offered Shares, then the Proposing Transferor will be at liberty for a period of 90 days after the expiration of the Notice Period to transfer to any person all, but not less than all, of the Offered Shares,

provided that the Proposing Transferor must not sell any of the Offered Shares at a price less than, or on terms more favourable to a purchaser than, those specified in the Transfer Notice.

- (e) The provisions as to transfer of shares contained in this Part 20 do not apply:
 - (i) if before the proposed transfer of shares is made, written waivers of the provisions of this Part 20 are obtained from shareholders holding all the issued shares of the class or classes of shares to be transferred;
 - (ii) to a transfer of shares for the purpose of effecting the appointment of a new trustee or trustees for the owner of the shares, if the Board is satisfied that the transfer is solely for that purpose;
 - (iii) to a transmission of shares for the purpose of effecting the registration of the shares of a deceased shareholder in the name or names of the legal personal representatives of that deceased shareholder; or
 - (iv) to a transfer of shares for the purpose of effecting the registration of the shares of a bankrupt shareholder in the name of the trustee in bankruptcy of that bankrupt shareholder.

PART 21 – AUTHORIZED SHARE STRUCTURE

21.1 Described in Notice of Articles. The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

PART 22 – RESTRICTIONS ON BUSINESS OR POWERS

22.1 No Restrictions. There are no restrictions on the business to be carried on or the powers to be exercised by the Company.

Signature of Incorporator

Print Full Name of Incorporator:

DATE: _____

BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

ARTICLES

- of -

NATIONAL ACCESS CLINIC CORP.

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SCHEDULE C

THIS IS SCHEDULE C ATTACHED TO AND FORMING PART OF AN AMALAGAMATION AGREEMENT BETWEEN BRASSNECK CAPITAL CORP., 1119622 B.C. LTD., AND NATIONAL ACCESS CANNABIS CORP. DATED JULY 10, 2017

NATIONAL ACCESS CANNABIS CORPORATION

**Consolidated Financial Statements
For the Period Ended August 31, 2015
(Expressed in Canadian Dollars)**

NATIONAL ACCESS CANNABIS CORPORATION**Consolidated Financial Statements**

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Independent Auditors' Report



To the Shareholders of National Access Cannabis Corporation:

We have audited the accompanying consolidated financial statements of National Access Cannabis Corporation, which comprise the consolidated statement of financial position as at August 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Access Cannabis Corporation as at August 31, 2015 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ottawa, Ontario

June 14, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants



ACCOUNTING > CONSULTING > TAX
800 - 1600 CARLING AVE, OTTAWA ON, K1Z 1G3
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NATIONAL ACCESS CANNABIS CORPORATION
Consolidated Statement of Financial Position

As at August 31, 2015

(Expressed in Canadian Dollars)

As at	Notes	August 31 2015
Assets		
Current		
Cash		437,726
Trade and other receivables		113,402
Note receivable	Note 12	298,000
Inventory	Note 5	3,901
Prepaid expenses		6,981
		860,010
Non-current		
Property and equipment	Note 6	256,129
Intangible asset	Note 7	79,237
Goodwill	Note 4	814,477
		2,009,853
Liabilities		
Current		
Trade and other payables		92,631
Deferred revenues		8,695
		101,326
Non-current		
Lease inducements		9,625
		110,951
Shareholders' Equity		
Share capital	Note 8	1,124,109
Warrants	Note 8	1,270,726
Accumulated deficit		(495,933)
		1,898,902
		2,009,853

Going concern (Note 1)

Subsequent events (Note 16)

These financial statements were authorized for issue by the Board of Directors on June 12, 2017.

They are signed on the Company's behalf by:

 Director

 Director

NATIONAL ACCESS CANNABIS CORPORATION**Consolidated Statement of Loss and Comprehensive Loss****For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

	Notes	For the period ended August 31, 2015
Revenues		
Consultations		11,193
Membership fees		1,037
Merchandise sales		1,472
		<hr/> 13,702 <hr/>
Cost of Goods Sold		
Merchandise		5,254
Consultation fees		6,504
		<hr/> 11,758 <hr/>
Gross Profit		<hr/> 1,944 <hr/>
Expenses		
Advertising and marketing		59,922
Amortization of property, plant and equipment		4,234
Amortization of intangible asset		20,763
General and administrative expenses (Schedule)		458,287
		<hr/> 543,206 <hr/>
Loss from operations		(541,262)
Other expenses (income)		
Gain on sale of assets		(45,329)
		<hr/> (495,933) <hr/>
Net loss and comprehensive loss for the period		<hr/> (495,933) <hr/>
Loss per share (Note 9)		
Basic and diluted		(0.03)

NATIONAL ACCESS CANNABIS CORPORATION

Consolidated Statement of Changes in Equity

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

	Share Capital		Warrants		Total (\$)
	Number of shares	Amount (\$)	Amount (\$)	Deficit	
Balance, November 12, 2014	10	1			1
Share for share exchange (Note 8)	9,237,000	461,850			461,850
Issuance of warrants (Note 8)			1,270,726		1,270,726
Subscription receipts net of issuance costs (Note 8)	25,760,000	662,258			662,258
Net loss and comprehensive loss for the period				(495,933)	(495,933)
Balance, August 31, 2015	34,997,010	1,124,109	1,270,726	(495,933)	1,898,902

The accompanying notes and schedules are an integral part of these financial statements.

NATIONAL ACCESS CANNABIS CORPORATION**Consolidated Statements of Cash Flows****For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

August 31, 2015**Operating Activities**

Net loss and comprehensive loss	(495,933)
Adjustments not effecting cash	
Amortization of property and equipment	4,234
Amortization of intangible asset	20,763
Amortization of lease inducements	(875)
Gain on sale of assets	(45,329)
	<u>(517,140)</u>
Changes in non-cash working capital	
Trade and other receivables	(36,656)
Inventory	985
Prepaid expenses	(3,000)
Trade and other payables	(58,885)
Deferred revenues	8,695
Cash flows used in operating activities	<u>(606,001)</u>

Investing Activities

Business combination	(399,249)
Acquisition of property, plant and equipment	(190,344)
Disposition of property, plant and equipment	261,185
Cash flows used in investing activities	<u>(328,408)</u>

Financing Activities

Issuance of share capital, net of share issue costs and warrants	2,394,835
Note receivable	(298,000)
Advances to related party	(735,200)
Lease inducement	10,500
Cash flows provided by financing activities	<u>1,372,135</u>

Net increase in cash	437,726
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Cash, beginning of year	-
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Net increase in cash and cash, end of year	437,726
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NATIONAL ACCESS CANNABIS CORPORATION**Notes to the Consolidated Financial Statements****For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

1 - NATURE OF OPERATIONS AND GOING CONCERN

National Access Cannabis Corporation (the "Company") was incorporated on November 12, 2014 under the Business Corporations Act of British Columbia. The period covered by these consolidated financial statements is November 12, 2014 through August 31, 2015. National Access Canada Corporation ("Canada Corp"), a wholly-owned subsidiary of the Company, is in the business of providing cannabinoid education and introducing patients to medical cannabis treatments via our national network of physicians and health professionals. The Company is headquartered at 1111 Wellington Street West, Ottawa, Ontario, Canada, K1Y 2Y6.

On May 4, 2015, the Company entered into a share exchange agreement with Canada Corp pursuant to which the Company has acquired all of the issued and outstanding shares of Canada Corp in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). Upon completion of the Acquisition, Canada Corp became a wholly-owned subsidiary of the Company.

The audited consolidated financial statements were approved and authorized for issue by the Board of Directors on June 12, 2017.

Going Concern Assumption

These consolidated financial statements for the period ended August 31, 2015 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the development stage of expanding by opening and acquiring 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 August 31, 2015, has an accumulated deficit of \$495,933.

The audited consolidated financial statements for the period ended August 31, 2015 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 Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of August 31, 2015.

The accounting policies applied in the preparation of the consolidated financial statements for the period ended August 31, 2015 are set out below.

2.2 Basis of measurement

The audited 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, as explained in the accounting policies set out in Note 2.7.

The accounting policies set out below have been applied consistently by the Company and its wholly owned subsidiary for the period presented in the audited consolidated financial statements.

2.3 Basis of consolidation

The Consolidated financial statements include the accounts of National Access Cannabis Corporation, and a wholly-owned subsidiary, National Access Canada Corporation.

The subsidiary is 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.

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

Intercompany balance and transaction, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Cash**

Cash includes cash on deposit at banking institutions.

2.5 Inventory

Inventory is valued at the lower of cost or net realisable value. Cost is calculated based on a first-in, first-out basis. Cost includes the acquisition cost at the date of purchase and costs directly attributable to bringing the asset to the location and condition necessary for distribution to customers. Net realisable value is the estimated selling price, in the ordinary course of business, less appropriate selling and distribution expenses.

When inventory is sold, the carrying amount of the inventory is recognised as an expense in cost of goods sold in the period in which the related revenue is recognised.

2.6 Property and equipment

Property and equipment are carried at historical cost less any accumulated amortization and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line and declining balance methods based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred. Amortization is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual value on the straight-line method, over the estimated useful lives, as follows.

Furniture and equipment	5 years
Electronic equipment	3 years
Information panels	3 years
Signs	5 years
Leasehold improvements	Over the term of the lease

2.7 Intangible assets

Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful life of 5 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.8 Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Company's interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

For the purposes of assessing impairment, goodwill is allocated to cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Company that goodwill is monitored for internal reporting purposes. The impairment of non-financial assets note describes how goodwill is tested for impairment.

2.9 Financial instruments

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. As at August 31, 2015, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements
For the period ended August 31, 2015
(Expressed in Canadian Dollars)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's financial assets include cash, trade and other receivables and note receivable. The Company's financial liabilities include trade and other payables. Classification of these financial instruments is as follows:

Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Note receivable	Loans and receivables
Trade and other payables	Other financial liabilities

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of other comprehensive income (loss).

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of other comprehensive income (loss).

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value on the consolidated statement of financial position, consist of cash, which are measured at level 1 of the fair value hierarchy.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.10 Impairment

The Company assesses at each date of the statement of financial position whether a non-financial asset is impaired.

Property, plant and equipment, intangibles and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds the estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro-rata basis.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the statement of comprehensive income (loss).

An impairment loss in respect of a financial asset measured at amortized cost, such as trade and other receivables, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

2.11 Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of identifiable net asset exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings

2.12 Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available for sale investments and gains or losses on certain derivative instruments. To date, there have not been any charges to other comprehensive income (loss).

2.13 Revenue recognition

Revenue represents the fair value of the sale of goods to customers, net of discounts and sales tax in the ordinary course of the Company's activities. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, which generally arises on delivery.

Revenues from memberships and consultations are recognised when the service has been provided. Revenues received for future periods are deferred until such time as the service is provided.

2.14 Share based payments**Share based payment transactions**

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share-based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted, incorporating the Black-Scholes option pricing model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements**For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.15 Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

2.16 Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be recovered.

2.17 Related party transactions

Related parties are individuals or corporations who do not deal at arms length with the Company. All related party transactions are reflected under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties as disclosed in Note 12 and 13.

2.18 Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are

2.19 Equity*Share capital*

Share capital represents the amount received on the issuance of common shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options or warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if common shares are issued as consideration for the acquisition of non-monetary assets, they are measured at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the assets or services received, the common shares are measured at the fair value of the shares issued. Given that there is no quoted price for the Company's shares, the fair value is estimated by using other observable inputs at that

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised.

In the event that the Company reacquires its own warrants, they are held by the Company until the time they are transferred or cancelled. Upon cancellation the value of the warrants is closed into the deficit.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

2.20 Critical accounting estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain computer equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Details of the assets and liabilities acquired are given in Note 4.

Judgements

Assessing the probability of utilizing deferred tax assets

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 13. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.8)

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year involves significant judgment based on historical events that are believed to be reasonable under the circumstances. See Note 1 for more information.

Valuation adjustments for inventory

The Company records a valuation adjustment for inventory by comparing inventory cost to its net realizable value. This process requires judgments related to future market demand, cost and pricing. These adjustments are reviewed on an ongoing basis and may have a significant impact on any valuation adjustment for inventories.

2.20 Segmented information

Throughout the period ended August 31, 2015, the Company operated in one segment, ownership and operation of clinics within Canada.

3 - NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE

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

IAS 1 '*Presentation of Financial Statements*' was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 1 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.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

3 - NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE (continued)

IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 16 and 38 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 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 (that is, payment) 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.

4 - BUSINESS COMBINATION**National Access Canada Corporation**

On May 4, 2015, as part of its continuing strategy of growth through acquisition, the Company entered into a share exchange agreement with Canada Corp pursuant to which the Company has acquired from the Canada Corp shareholders all of the issued and outstanding shares of Canada Corp in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). Upon completion of the Acquisition, Canada Corp became a wholly-owned subsidiary of the Company.

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.

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.

Value recognized on the acquisition date	
Cash	62,601
Trade and other receivables	76,746
Inventory	4,886
Property, plant and equipment - cost	285,875
Prepays	3,981
Intangible asset	100,000
Goodwill	814,477
Accounts payable	(151,516)
Advances from National Access Cannabis Corporation	(735,200)
Total net assets acquired	461,850

5 - INVENTORY

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

	August 31, 2015
Retail items	3,901

During the period ended August 31, 2015, \$5,254 of inventory was recognized as an expense.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

6 - PROPERTY AND EQUIPMENT

	Furniture and Equipment	Electronic Equipment	Information panels	Leasehold Improvements	Signs	Total
Cost:						
At November 12, 2014	-	-	-	-	-	-
Additions	13,189	8,628	14,233	146,294	8,000	190,344
Additions from acquisition (Note 4)	19,938	69,545		196,392		285,875
Disposals		(57,433)		(158,423)		(215,856)
At August 31, 2015	33,127	20,740	14,233	184,263	8,000	260,363
Accumulated Amortization						
At November 12, 2014	-	-	-	-	-	-
Amortization	1,065	1,536	965	382	286	4,234
Disposals						
At August 31, 2015	1,065	1,536	965	382	286	4,234
Carrying amounts:						
At August 31, 2015	32,062	19,204	13,268	183,881	7,714	256,129

7 - INTANGIBLE ASSETS

	Software licenses
Cost:	
At November 12, 2014	-
Additions	100,000
Disposals	
At August 31, 2015	100,000
Accumulated Amortization	
At November 12, 2014	-
Amortization	20,763
Disposals	
At August 31, 2015	20,763
Carrying amounts:	
At August 31, 2015	79,237

8 - 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 (\$)
Shares issued on incorporation	10	1
Share for share exchange (i)	9,237,000	461,850
Subscription receipts net of issuance costs (ii)	25,760,000	662,258
Balance, August 31, 2015	34,997,010	1,124,109

(i) On May 4, 2015, Canada Corp (Subsidiary) entered into a Share Exchange Agreement with the Company (Parent) for the exchange by the Subsidiary shareholders of 100% of the issued and outstanding shares of the Subsidiary for shares of the Parent on a 1:1 basis. Canada Corp is now a wholly-owned subsidiary of the Company.

(ii) Between December 11, 2014 and March 25, 2015 the Company closed several non-brokered private placements for aggregate gross proceeds of \$685,000 consisting of 25,760,000 units. Each unit comprised one Class A Common Share. In connection with this private placement, the Company paid finder's fees and legal fees totalling \$22,741.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

8 - EQUITY INSTRUMENTS (continued)**(b) Warrants**

	Number of warrants	Amounts (\$)
Issuance of warrants (i)	8,622,699	1,270,726
Balance, August 31, 2015	8,622,699	1,270,726

(i) Between March 27, 2015 and May 19, 2015 the Company closed several non-brokered private placements for aggregate gross proceeds of \$1,293,406 consisting of 8,622,699 units. Each unit is comprised of one special warrant. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payments. In connection with the private placements the Company paid finder's fees totalling \$22,680.

9 - EARNINGS PER SHARE

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

	2015
Weighted average number of common shares, basic and diluted	18,710,674

10 - LEASE AND OTHER COMMITMENTS AND GUARANTEES

The Company has entered into various operating lease agreements having terms of 27 to 60 months. These lease agreements expire between November 30, 2017 and April 30, 2020.

As at August 31, 2015, the minimum annual lease payments are expected to be as follows:

2016	157,103
2017	311,184
2018	244,943
2019	160,580
2020 and beyond	105,196
	<u>979,006</u>

11 - KEY MANAGEMENT PERSONNEL COMPENSATION

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

	For the period ended August 31, 2015
Salaries	129,170
Directors' and consulting fees	30,000
Share-based compensation	-
Total Key Management Compensation	159,170

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 were no stock options exercised by key management personnel in 2015.

12 - 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.

On June 18, 2015, the leasehold and all other assets located at 2571 Quadra Street, Victoria BC, was sold to the property owner, a major shareholder of the Company (the Buyer), effective June 18, 2015. The Buyer delivered a Promissory Note in the amount of \$298,000 in consideration for the conveyance and transfer of the Assets. The Promissory Note bears no interest and was paid in full on November 19, 2015.

During the year, the Company paid the following amounts to shareholders and the immediate family of shareholders:

	As at August 31, 2015
Shareholders	
Included in trade receivables, at year end	14,233
Immediate family of shareholders	
Included in lease inducement, at year end	9,625
Rental	14,000
Amortization of leasehold inducement	875

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

13 - INCOME TAXES

As at August 31, 2015, the Company has not recognized a deferred tax asset in respect of its deductible temporary differences and past losses incurred as it has not been demonstrated that the Company will be able to generate sufficient future profits to utilize this tax asset over a reasonable period of time. The expiry of the Company's non-capital losses are as follows:

2034	187,627
2035	995,438
	<u>1,183,065</u>

14 - FINANCIAL INSTRUMENTS

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

	<u>As at August 31, 2015</u>
Financial assets:	
Loans and receivables	
Cash	437,726
Trade and other receivables	113,402
Note receivable	298,000
<u>Total financial assets</u>	<u>849,128</u>
Financial liabilities:	
Financial liabilities at amortized cost	
Trade and other payables	92,631
<u>Total financial liabilities</u>	<u>92,631</u>

The carrying values of cash, trade and other receivables, note receivable and trade and other payables approximate their fair values due to their relatively short periods to maturity.

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

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

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, trade and other receivables and notes receivable. 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 collection issues and no receivables are past due or impaired.

NATIONAL ACCESS CANNABIS CORPORATION**Notes to the Consolidated Financial Statements****For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

15 - 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 August 31, 2015.

16 - SUBSEQUENT EVENTS

On July 29th, 2016, National Access Canada Corporation, the wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement with 2509548 Ontario Inc., to purchase the Lease, all leasehold improvements, equipment and various office supplies (the Assets) located at 286 Danforth, Toronto, Ontario. As consideration for the purchase and sale of the Assets to National Access Canada, the Company has agreed to accept, the issuance of 300,000 of the Company's common shares.

On August 1, 2016 the Company entered into a consulting agreement granting the consultant incentive stock options to purchase an aggregate of 1,000,000 Common Shares in the capital of The Company at an exercise price of \$0.15 per share for an exercise period of five years.

On August 1, 2016 the Board reviewed the financial situation of the Company and determined that the company was in need of funds. Pursuant to subscription agreements, an investor purchased 4,000,000 common shares at a price of \$0.05 per share.

On October 17, 2016 the Company entered into an executive employment agreement for the position of Chief Financial Officer. The CFO received 600,000 Common Shares in lieu of salary during the initial three months of the agreement. In addition, the Company granted the CFO 600,000 incentive stock options for the purchase of the Company's shares for an exercise period of 3 years and an exercise price consistent with the Company's stock option plan.

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.

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 in capital of the Company. As a further consideration, in the event that the milestone of going public is achieved, the Buyer will pay to the Seller an additional amount of \$50,000.

On November 29, 2016 the Company borrowed \$300,000 from an unsecured lender at an interest rate on the principal at 5% per month for five months and at a interest rate of 2.5% per month for an additional two months with payment of interest and principal due in full on June 29th, 2017. The lender has agreed to receive payment of the interest in the equivalent amount of National Access Cannabis Corporation commons shares. A total of 360,000 common shares will be issued to the lender for interest due on June 29, 2017. If repayment is delayed, beyond the due date a rate of 2.5% per month on the principal will apply.

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 deemed value of \$0.25 per share and \$275,000 in cash with \$100,000 paid at closing. An additional amount of \$175,000 is due conditionally in the event the Company is acquired by a public company (an "RTO") on or before January 1, 2018. If the Company does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of CannApply.

Between September 28, 2016 and January 31, 2017 the Company closed several non-brokered private placements for aggregate gross proceeds of \$698,500 consisting of 3,860,666 units. Each unit comprised of one special warrant. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payments.

The Company has granted a total of 6,625,000 stock options to officers, directors, employees and consultants that remain outstanding as of May 31, 2017. Outstanding options have an exercise price of \$0.15 and \$0.25, having expiry dates ranging from June 7, 2019 to December 31, 2022.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the period ended August 31, 2015

(Expressed in Canadian Dollars)

16 - SUBSEQUENT EVENTS (continued)

On March 29, 2017 the Company entered into a letter of intent with Brassneck Capital Corp. in respect of a proposed transaction pursuant to which the Company is expected to acquire Brassneck by way of a reverse takeover transaction (the "Acquisition"). It is currently anticipated that the Acquisition will occur as a merger, amalgamation or share exchange, the final structure of the Acquisition being subject to receipt of tax, corporate and securities law advice for both the Company and Brassneck. Upon completion of the Acquisition, the combined entity (the "Resulting Issuer") will continue to carry on the business of the Company. It is expected that upon completion of the Acquisition, the Resulting Issuer will meet the Initial Listing Requirements for a Tier 2 Life Sciences issuer under the policies of the TSX Venture Exchange.

NATIONAL ACCESS CANNABIS CORPORATION**Schedule****For the period ended August 31, 2015****(Expressed in Canadian Dollars)**

	For the period ended August 31, 2015
General and administrative expenses	
Bad debt expense	6,347
Business taxes and licenses	6,042
Computer expenses	20,937
Insurance	2,304
Interest and bank charges	2,694
Laundry and cleaning	375
Management fees	129,170
Office supplies	12,279
Professional fees	186,794
Rental	30,779
Repairs and maintenance	600
Salaries and benefits	38,168
Telecommunications	3,903
Travel and entertainment	12,472
Uniforms	3,350
Utilities	2,073
	<hr/> 458,287 <hr/>

NATIONAL ACCESS CANNABIS CORPORATION

**Consolidated Financial Statements
For the Year Ended August 31, 2016
(Expressed in Canadian Dollars)**

NATIONAL ACCESS CANNABIS CORPORATION

Consolidated Financial Statements

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Independent Auditors' Report

To the Shareholders of National Access Cannabis Corporation:

We have audited the accompanying consolidated financial statements of National Access Cannabis Corporation, which comprise the consolidated statement of financial position as at August 31, 2016 and August 31, 2015, and the consolidated statements of loss and comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Access Cannabis Corporation as at August 31, 2016, August 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ottawa, Ontario

June 14, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants



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NATIONAL ACCESS CANNABIS CORPORATION
Consolidated Statements of Financial Position

As at August 31, 2016

(Expressed in Canadian Dollars)

As at	Notes	August 31 2016	August 31 2015
Assets			
Current			
Cash		58,745	437,726
Trade and other receivables		178,178	113,402
Note receivable	Note 13	-	298,000
Inventory	Note 5	10,027	3,901
Prepaid expenses		32,258	6,981
		279,208	860,010
Non-current			
Property and equipment	Note 6	558,151	256,129
Intangible assets	Note 7	23,359	79,237
Goodwill	Note 4	814,477	814,477
		1,675,195	2,009,853
Liabilities			
Current			
Trade and other payables		206,743	92,631
Due to directors	Note 13	383,279	-
Deferred revenues		45,813	8,695
		635,835	101,326
Non-current			
Lease inducements		15,925	9,625
		651,760	110,951
Shareholders' Equity (Deficiency)			
Share capital	Note 8	1,534,109	1,124,109
Warrants	Note 8	1,295,526	1,270,726
Contributed surplus		32,374	-
Accumulated deficit		(1,838,574)	(495,933)
		1,023,435	1,898,902
		1,675,195	2,009,853

Going concern (Note 1)

Subsequent events (Note 17)

These financial statements were authorized for issue by the Board of Directors on June 12, 2017.

They are signed on the Company's behalf by:

 Director

 Director

NATIONAL ACCESS CANNABIS CORPORATION
Consolidated Statements of Loss and Comprehensive Loss

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

	Notes	For the year end August 31 2016	For the year end August 31 2015
Revenues			
Consultations		104,339	11,193
Membership fees		44,865	1,037
Commissions		111,402	-
Merchandise sales		53,208	1,472
		313,814	13,702
Cost of Goods Sold			
Merchandise		34,877	5,254
Freight		1,225	-
Consultation fees		127,842	6,504
		163,944	11,758
Gross Profit		149,870	1,944
Expenses			
Advertising and marketing		90,689	59,922
Amortization of property and equipment		69,787	4,234
Amortization of intangible assets		55,878	20,763
General and administrative expenses (Schedule)		1,276,157	458,287
		1,492,511	543,206
Loss from operations		(1,342,641)	(541,262)
Other expenses (income)			
Gain on sale of assets		-	(45,329)
Net loss and comprehensive loss for the year/period		(1,342,641)	(495,933)
Net loss per share (Note 10)			
Basic and diluted		(0.04)	(0.03)

NATIONAL ACCESS CANNABIS CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

	Share Capital		Warrants		Contributed Surplus	Deficit	Total (\$)
	Number of shares	Amount (\$)	Amount (\$)	Amount (\$)			
Balance, November 12, 2014	10	1	-	-	-	-	1
Share for share exchange (Note 8)	9,237,000	461,850	-	-	-	-	461,850
Issuance of warrants (Note 8)	-	-	1,270,726	-	-	-	1,270,726
Subscription receipts net of issuance costs (Note 8)	25,760,000	662,258	-	-	-	-	662,258
Net loss and comprehensive loss for the period						(495,933)	(495,933)
Balance, August 31, 2015	34,997,010	1,124,109	1,270,726	-	-	(495,933)	1,898,902
Subscription receipts net of issuance costs (Note 8)	4,000,000	200,000	-	-	-	-	200,000
Subscription receipts for warrants net of issuance costs (Note 8)	-	-	-	50,000	-	-	50,000
Purchase of property and equipment (Note 8)	300,000	90,000	-	-	-	-	90,000
Share based compensation (Note 8)	2,400,000	120,000	-	-	32,374	-	152,374
Redemption of warrants (Note 8)	-	-	-	(25,200)	-	-	(25,200)
Net loss and comprehensive loss for the year						(1,342,641)	(1,342,641)
Balance, August 31, 2016	41,697,010	1,534,109	1,295,526	32,374	(1,838,574)	-	1,023,435

The accompanying notes and schedules are an integral part of these financial statements.

NATIONAL ACCESS CANNABIS CORPORATION**Consolidated Statements of Cash Flows****For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

	August 31 2016	August 31 2015
Operating Activities		
Net loss and comprehensive loss	(1,342,641)	(495,933)
Adjustments not effecting cash		
Amortization of property and equipment	69,787	4,234
Amortization of intangible assets	55,878	20,763
Amortization of lease inducements	(3,302)	(875)
Share-based compensation	32,374	
Gain on sale of assets	-	(45,329)
	(1,187,904)	(517,140)
Changes in non-cash working capital		
Trade and other receivables	(64,776)	(36,656)
Inventory	(6,126)	985
Prepaid expenses	(25,277)	(3,000)
Trade and other payables	114,112	(58,885)
Deferred revenues	37,118	8,695
Cash flows used in operating activities	(1,132,853)	(606,001)
Investing Activities		
Business combination	-	(399,249)
Acquisition of property and equipment	(371,809)	(190,344)
Disposition of property and equipment	-	261,185
Cash flows used in investing activities	(371,809)	(328,408)
Financing Activities		
Issuance of share capital, net of share issue costs	410,000	2,394,835
Issuance of warrants, net of issuance costs	50,000	
Repurchase of warrants	(25,200)	
Note receivable	298,000	(298,000)
Due to directors	383,279	
Advances to related party		(735,200)
Lease inducement	9,602	10,500
Cash flows provided by financing activities	1,125,681	1,372,135
Net increase (decrease) in cash	(378,981)	437,726
Cash, beginning of year/period	437,726	-
Cash, end of year/period	58,745	437,726

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

1 - NATURE OF OPERATIONS AND GOING CONCERN

National Access Cannabis Corporation (the "Company") was incorporated on November 12, 2014 under the Business Corporations Act of British Columbia. National Access Canada Corporation ("Canada Corp"), a wholly-owned subsidiary of the Company, is in the business of providing cannabinoid education and introducing patients to medical cannabis treatments via our national network of physicians and health professionals. The Company is headquartered at 1111 Wellington Street West, Ottawa, Ontario, Canada, K1Y 2Y6.

On May 4, 2015, the Company entered into a share exchange agreement with Canada Corp pursuant to which the Company has acquired all of the issued and outstanding shares of Canada Corp in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). Upon completion of the Acquisition, Canada Corp became a wholly-owned subsidiary of the Company.

The audited consolidated financial statements were approved and authorized for issue by the Board of Directors on June 12, 2017.

Going Concern Assumption

These consolidated financial statements for the year ended August 31, 2016 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the development stage of expanding by opening and acquiring 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 August 31, 2016, has an accumulated deficit of \$1,838,574.

The audited consolidated financial statements for the year ended August 31, 2016 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 Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of August 31, 2016.

The accounting policies applied in the preparation of the consolidated financial statements for the year ended August 31, 2016 are set out below.

2.2 Basis of measurement

The audited 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, as explained in the accounting policies set out in Note 2.7.

The accounting policies set out below have been applied consistently by the Company and its wholly owned subsidiary for the periods presented in the audited consolidated financial statements.

2.3 Basis of consolidation

The Consolidated financial statements include the accounts of National Access Cannabis Corporation, and a wholly-owned subsidiary, National Access Canada Corporation.

The subsidiary is 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.

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

Intercompany balance and transaction, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION**Notes to the Consolidated Financial Statements****For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Cash**

Cash includes cash on deposit at banking institutions.

2.5 Inventory

Inventory is valued at the lower of cost or net realisable value. Cost is calculated based on a first-in, first-out basis. Cost includes the acquisition cost at the date of purchase and costs directly attributable to bringing the asset to the location and condition necessary for distribution to customers. Net realisable value is the estimated selling price, in the ordinary course of business, less appropriate selling and distribution expenses.

When inventory is sold, the carrying amount of the inventory is recognised as an expense in cost of goods sold in the period in which the related revenue is recognised.

2.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated amortization and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line and declining balance methods based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred. Amortization is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual value on the straight-line method, over the estimated useful lives, as follows.

Furniture and equipment	5 years
Electronic equipment	3 years
Information panels	3 years
Signs	5 years
Leasehold improvements	Over the term of the lease

2.7 Intangible assets

Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful life of 2 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.8 Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Company's interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

For the purposes of assessing impairment, goodwill is allocated to cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Company that goodwill is monitored for internal reporting purposes. The impairment of non-financial assets note describes how goodwill is tested for impairment.

2.9 Financial instruments

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. As at August 31, 2016, the Company has not classified any financial assets as available for sale.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements**For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial assets include cash, trade and other receivables and note receivable. The Company's financial liabilities include trade and other payables and due to directors. Classification of these financial instruments is as follows

Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Note receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Due to directors	Other financial liabilities

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of other comprehensive income (loss).

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value on the consolidated statement of financial position, consist of cash, which is measured at level 1 of the fair value hierarchy.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.10 Impairment

The Company assesses at each date of the statement of financial position whether a non-financial asset is impaired.

Property, plant and equipment, intangibles and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements**For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds the estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro-rata basis.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the statement of comprehensive income (loss).

An impairment loss in respect of a financial asset measured at amortized cost, such as trade and other receivables, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

2.11 Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings immediately.

2.12 Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available for sale investments and gains or losses on certain derivative instruments. To date, there have not been any charges to other comprehensive income (loss).

2.13 Revenue recognition

Revenue represents the fair value of the sale of goods to customers, net of discounts and sales tax in the ordinary course of the Company's activities. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, which generally arises on delivery.

Revenues from memberships, commissions and consultations are recognised when the service has been provided. Revenues received for future periods are deferred until such time as the service is provided.

2.14 Share based payments**Share based payment transactions**

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share-based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted, incorporating the Black-Scholes option pricing model.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements**For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

2.15 Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

2.16 Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be recovered.

2.17 Related party transactions

Related parties are individuals or corporations who do not deal at arms length with the Company. All related party transactions are reflected under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties as disclosed in Note 12 and 13.

2.18 Equity*Share capital*

Share capital represents the amount received on the issuance of common shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options or warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if common shares are issued as consideration for the acquisition of non-monetary assets, they are measured at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the assets or services received, the common shares are measured at the fair value of the shares issued. Given that there is no quoted price for the Company's shares, the fair value is estimated by using other observable inputs at that date.

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised

In the event that the Company reacquires its own warrants, they are held by the Company until the time they are transferred or cancelled. Upon cancellation the value of the warrants is closed into the deficit.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements**For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Critical accounting estimates and judgements**

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates*Useful lives of depreciable assets*

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain computer equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Judgements*Assessing the probability of utilizing deferred tax assets*

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 13. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.8)

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year involves significant judgement based on historical events that are believed to be reasonable under the circumstances. See Note 1 for more information.

Valuation adjustments for inventory

The Company records a valuation adjustment for inventory by comparing inventory cost to its net realizable value. This process requires judgements related to future market demand, cost and pricing. These adjustments are reviewed on an ongoing basis and may have a significant impact on any valuation adjustment for inventories.

2.20 Segmented information

Throughout the period ended August 31, 2016, the Company operated in one segment, ownership and operation of clinics within Canada.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

3 - NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE

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

IAS 1 '*Presentation of Financial Statements*' was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 1 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.

IAS 16 '*Property, Plant and Equipment*' and IAS 38 '*Intangible Assets*' were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 16 and 38 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 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 (that is, payment) 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.

4 - BUSINESS COMBINATION

National Access Canada Corporation

On May 4, 2015, as part of its continuing strategy of growth through acquisition, the Company entered into a share exchange agreement with Canada Corp pursuant to which the Company has acquired from the Canada Corp shareholders all of the issued and outstanding shares of Canada Corp in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). Upon completion of the Acquisition, Canada Corp became a wholly-owned subsidiary of the Company.

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 CORPORATION

Notes to the Consolidated Financial Statements

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

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.

Value recognized on the acquisition date

Cash	62,601
Trade and other receivables	76,745
Inventory	4,886
Property and equipment - cost	285,875
Prepaid expenses	3,981
Intangible asset	100,000
Goodwill	814,477
Trade and other payables	(151,516)
Advances from National Access Cannabis Corporation	(735,200)
Total net assets acquired	461,849

5 - INVENTORY

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

	August 31, 2016	August 31, 2015
Retail items	10,027	3,901

During the period ended August 31, 2016, \$34,878 of inventory was recognized as an expense (\$5,254 in 2015)

6 - PROPERTY AND EQUIPMENT

	Furniture and Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvements	Total
Cost:						
At November 12, 2014	-	-	-	-	-	-
Additions	13,189	13,942	14,233	8,000	154,761	204,125
Additions from acquisition (Note 4)	19,938	69,545			196,392	285,875
Disposals	-	(62,748)			(158,423)	(221,171)
At August 31, 2015	33,127	20,739	14,233	8,000	192,730	268,829
Additions	35,408	14,040		14,627	307,734	371,809
Disposals	-	-	-	-	-	-
At August 31, 2016	68,535	34,779	14,233	22,627	500,464	640,638
Accumulated Amortization						
At November 12, 2014	-	-	-	-	-	-
Amortization	1,065	1,536	965	286	8,848	12,700
Disposals	-	-	-	-	-	-
At August 31, 2015	1,065	1,536	965	286	8,848	12,700
Amortization	7,246	7,009	4,744	1,924	48,864	69,787
Disposals	-	-	-	-	-	-
At August 31, 2016	8,311	8,545	5,709	2,210	57,712	82,487
Carrying amounts:						
At August 31, 2015	32,062	19,203	13,268	7,714	183,882	256,129
At August 31, 2016	60,224	26,234	8,524	20,417	442,752	558,151

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

7 - INTANGIBLE ASSETS

	Total Software Licenses
Cost:	
At November 12, 2014	-
Additions	-
Additions from acquisition (Note 4)	100,000
Disposals	-
At August 31, 2015	<u>100,000</u>
Additions	-
Disposals	-
At August 31, 2016	<u>100,000</u>
Accumulated Amortization	
At November 12, 2014	-
Amortization	20,763
Disposals	-
At August 31, 2015	<u>20,763</u>
Amortization	55,878
Disposals	-
At August 31, 2016	<u>76,641</u>
Carrying amounts:	
At August 31, 2015	79,237
At August 31, 2016	<u>23,359</u>

8 - 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
Shares issued on incorporation	10	1
Share for share exchange (i)	9,237,000	461,850
Subscription receipts net of issuance costs (ii)	25,760,000	662,258
Balance, August 31, 2015	<u>34,997,010</u>	<u>1,124,109</u>
Subscription receipts net of issuance costs (iii)	4,000,000	200,000
Purchase of property, plant and equipment (iv)	300,000	90,000
Share based compensation (v)	2,400,000	120,000
Balance, August 31, 2016	<u>41,697,010</u>	<u>1,534,109</u>

(i) On May 4, 2015, Canada Corp (Subsidiary) entered into a Share Exchange Agreement with the Company (Parent) for the exchange by the Subsidiary shareholders of 100% of the issued and outstanding shares of the Subsidiary for shares of the Parent on a 1:1 basis. Canada Corp is now a wholly-owned subsidiary of the Company.

(ii) Between December 11, 2014 and March 25, 2015 the Company closed several non-brokered private placements for aggregate gross proceeds of \$685,000 consisting of 25,760,000 units. Each unit comprised one Class A Common Share. In connection with this private placement, the Company paid finder's fees and legal fees totalling \$22,741.

(iii) The Board reviewed the financial situation of the Company and determined additional funds were required. Pursuant to subscription agreements, an investor offered to purchase 4,000,000 common shares at the price of \$0.05 per share. The Company accepted the offer and subscription funds were received on August 12, 2016.

(iv) On July 29th, 2016, National Access Canada Corporation, the wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement to purchase all leasehold improvements, equipment and office supplies (the Assets) located at 286 Danforth, Toronto, Ontario. As consideration, the vendor agreed to accept the issuance of 300,000 of the Company's common shares.

(v) The Company recognized a share-based compensation expense of \$120,000 during the year ended August 31, 2016 (2015 - \$Nil).

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements

For the year ended August 31, 2016

(Expressed in Canadian Dollars)

8 - EQUITY INSTRUMENTS (continued)

(b) Warrants

	Number of warrants	Amounts
Issuance of warrants (i)	8,622,699	1,270,726
Balance, August 31, 2015	8,622,699	1,270,726
Subscription for warrants receipts net of issuance costs (ii)	333,333	50,000
Redemption of warrants (iii)	(168,000)	(25,200)
Balance, August 31, 2016	8,788,032	1,295,526

(i) Between March 27, 2015 and May 19, 2015 the Company closed several non-brokered private placements for aggregate gross proceeds of \$1,293,406 consisting of 8,622,699 units. Each unit is comprised of one special warrant. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payments. In connection with the private placements the Company paid finder's fees totalling \$22,680.

(ii) On June 9, 2016 the Company closed a non-brokered private placement for aggregate proceeds of \$50,000 consisting of 333,333 units. Each unit is comprised of one special warrant.

(iii) On February 1, 2016 168,000 special warrants with an exercise price of \$0.15 were cancelled and returned to treasury.

9 - 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 three years 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 5,875,000 issued in 2016 (Nil in 2015). The employee compensation expense related to options vested in fiscal 2016 is \$32,374 (2015 - \$Nil). The Company may issue an unlimited number options for common shares under its stock option plan. At August 31, 2016 3,350,000 common shares (Nil in 2015) are reserved for addition options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of August 31, 2016 and August 31, 2015, and changes during the years ended on those dates, is presented below:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	-	-	-	-
Net granted	5,875,000	0.15	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Cancelled	(2,525,000)	0.15	-	-
Outstanding, end of year	3,350,000	0.15	-	-

The following table summarizes information about stock options as at August 31, 2016:

Options outstanding			Options Exercisable
Number outstanding at Aug 31, 2016	Exercise prices	Weighted average remaining contractual life (in years)	Number exercisable at Aug 31, 2016
3,350,000	\$ 0.15	2.23	3,350,000

The weighted average exercise price was \$0.15 in 2016 (2015 - \$Nil) for exercisable options.

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for 2016 were: a weighted average share price of \$0.05 and an exercise price of \$0.15, risk free interest rate of 1.15%, volatility of 70% with no expected dividend yield and a three-year estimated life.

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

The fair value of the stock options granted during fiscal year 2016 was \$32,374 (2015 - \$Nil)

NATIONAL ACCESS CANNABIS CORPORATION**Notes to the Consolidated Financial Statements****For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

10 - EARNINGS PER SHARE

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

	2016	2015
Weighted average number of common shares, basic and diluted	35,352,900	18,710,674

11 - 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 November 30, 2017 and April 30, 2020.

As at August 31, 2016, the minimum annual lease payments are expected to be as follows:

2017	311,184
2018	244,943
2019	160,580
2020	79,150
2021	26,046
	<u>821,903</u>

12 - KEY MANAGEMENT PERSONNEL COMPENSATION

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

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Salaries	156,333	129,170
Directors' fees	16,000	30,000
Share-based compensation	152,374	-
Total Key Management Compensation	<u>324,707</u>	<u>159,170</u>

Salaries include cash payments for base salaries and bonuses. Directors' fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There were \$32,374 of stock options granted to key management personnel in 2016 (2015 - \$Nil).

13 - 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.

On May 1, 2015, the Company entered into a lease agreement at 1111 Wellington Street, Ottawa, ON, with a shareholder's immediate family member. The term of the contract is five years ending on April 30, 2020 for \$3,500 plus HST to be paid monthly. As part of the agreement, the Company received lease inducement totalling \$10,500 to be amortized over the term of the lease agreement.

On June 18, 2015, the leasehold and all other assets located at 2571 Quadra Street, Victoria, BC, were sold to the property owner, a major shareholder of the Company (the Buyer), effective June 18, 2015. The Buyer delivered a promissory note in the amount of \$298,000 in consideration for the conveyance and transfer of the assets. The promissory note was paid in full on November 19, 2015.

On January 1, 2016, the Company entered into consulting service agreements with two Company Directors. The term of each contract is two years ending on December 31, 2017. Consideration for the consulting services is \$7,500 plus HST to be paid monthly. At the sole discretion of the Company, the Company may choose to pay the consulting fees, but not the HST, in common shares of the Company. Also, each consultant was granted stock 1,000,000 options for the purchase of common shares of the Company with an exercise price of \$0.15 for an exercise period of 3 years.

As at August 31, 2016, amounts due to directors totalled \$383,279. The amounts bear no interest, and were converted into shares during the 2017 fiscal year end of the Company.

14 - INCOME TAXES

As at August 31, 2016, the Company has not recognized a deferred tax asset in respect of its deductible temporary differences and past losses incurred as it has not been demonstrated that the Company will be able to generate sufficient future profits to utilize this tax asset over a reasonable period of time. The expiry of the Company's non-capital losses are as follows:

2034	187,627
2035	995,438
2036	1,353,459
	<u>2,536,524</u>

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements
For the year ended August 31, 2016
(Expressed in Canadian Dollars)

15 - FINANCIAL INSTRUMENTS

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

	As at August 31, 2016	As at August 31, 2015
Financial assets:		
Loans and receivables		
Cash	58,745	437,726
Trade and other receivables	178,178	113,402
Note receivable	-	298,000
Total financial assets	236,923	849,128
Financial liabilities:		
Financial liabilities at amortized cost		
Trade and other payables	206,743	92,631
Due to directors	383,279	-
Total financial liabilities	590,022	92,631

The carrying values of cash, trade and other receivables, note receivable, trade and other payables and due to directors approximate their fair values due to their relatively short periods to maturity.

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

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

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, trade and other receivables and notes receivable. 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 collection issues and no receivables are past due or impaired.

16 - 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 August 31, 2016.

NATIONAL ACCESS CANNABIS CORPORATION

Notes to the Consolidated Financial Statements
For the year ended August 31, 2016
(Expressed in Canadian Dollars)

17 - SUBSEQUENT EVENTS

On October 17, 2016 the Company entered into an executive employment agreement for the position of Chief Financial Officer. The CFO received 600,000 Common Shares in lieu of salary during the initial three months of the agreement. In addition, the Company granted the CFO 600,000 incentive stock options for the purchase of the Company's shares for an exercise period of 3 years and an exercise price consistent with the Company's stock option plan.

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.

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 in capital of the Company. As a further consideration, in the event that the milestone of going public is achieved, the Buyer will pay to the Seller an additional amount of \$50,000.

On November 29, 2016 the Company borrowed \$300,000 from an unsecured lender at an interest rate on the principal at 5% per month for five months and at a interest rate of 2.5% per month for an additional two months with payment of interest and principal due in full on June 29th, 2017. The lender has agreed to receive payment of the interest in the equivalent amount of National Access Cannabis Corporation commons shares. A total of 360,000 common shares will be issued to the lender for interest due on June 29, 2017. If repayment is delayed, beyond the due date a rate of 2.5% per month on the principal will apply.

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 deemed value of \$0.25 per share and \$275,000 in cash with \$100,000 paid at closing. An additional amount of \$175,000 is due conditionally in the event the Company is acquired by a public company (an "RTO") on or before January 1, 2018. If the Company does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of CannApply.

Between September 28, 2016 and January 31, 2017 the Company closed several non-brokered private placements for aggregate gross proceeds of \$698,500 consisting of 3,860,666 units. Each unit is comprised of one special warrant. The special warrants will automatically convert into common shares upon completion of the acquisition by a public company (an "RTO") and will be deemed to have been exercised without any further action or payments.

The Company has granted a total of 6,625,000 stock options to officers, directors, employees and consultants that remain outstanding as of May 31, 2017. Outstanding options have an exercise price of \$0.15 and \$0.25, having expiry dates ranging from June 7, 2019 to December 31, 2022.

On March 29, 2017 the Company entered into a letter of intent with Brassneck Capital Corp. in respect of a proposed transaction pursuant to which the Company is expected to acquire Brassneck by way of a reverse takeover transaction (the "Acquisition"). It is currently anticipated that the Acquisition will occur as a merger, amalgamation or share exchange, the final structure of the Acquisition being subject to receipt of tax, corporate and securities law advice for both the Company and Brassneck. Upon completion of the Acquisition, the combined entity (the "Resulting Issuer") will continue to carry on the business of the Company. It is expected that upon completion of the Acquisition, the Resulting Issuer will meet the Initial Listing Requirements for a Tier 2 Life Sciences issuer under the policies of the TSX Venture Exchange.

The Company completed a private placement financing of convertible notes ("Convertible Notes") for aggregate gross proceeds of \$1,000,000 on April 11, 2017. The holders of Convertible Notes will be paid interest at a rate of 10% per year, payable semi-annually, with any accrued interest to be forgiven upon completion of the Acquisition. The terms of the Convertible Notes provide that immediately prior to completion of the Acquisition, the Convertible Notes will convert into common shares of the Company at a 20% discount to the Concurrent Financing Price, subject to approvals from the Exchange. The proceeds of the Convertible Notes will be used for general working capital and, upon completion of the Acquisition, the Resulting Issuer's future growth plans.

NATIONAL ACCESS CANNABIS CORPORATION**Schedule****For the year ended August 31, 2016****(Expressed in Canadian Dollars)**

	For the year end August 31 2016	For the year end August 31 2015
General and administrative expenses		
Bad debt expense	113	6,347
Business taxes and licenses	238	6,042
Computer expenses	22,551	20,937
Insurance	5,072	2,304
Interest and bank charges	7,654	2,694
Laundry and cleaning	3,657	375
Management fees	213,261	129,170
Office supplies	102,841	12,279
Professional fees	348,556	186,794
Rental	137,245	30,779
Repairs and maintenance	3,567	600
Salaries and benefits	384,435	38,168
Telecommunications	6,143	3,903
Travel and entertainment	32,945	12,472
Uniforms	-	3,350
Utilities	7,879	2,073
	1,276,157	458,287

NATIONAL ACCESS CANNABIS CORPORATION

Condensed Interim Consolidated Financial Statements
For the Three and Six Month Periods Ended February 28, 2017
(Expressed in Canadian Dollars)

The accompanying notes and schedules are an integral part of these condensed interim consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION**Condensed Interim Consolidated Financial Statements**

For the Three and Six Month Periods Ended February 28, 2017	Page
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To the Audit Committee of National Access Cannabis Corporation:

In accordance with our engagement letter dated November 9th, 2016 we have performed an interim review of the condensed interim consolidated statement of financial position of National Access Cannabis Corporation as at February 28, 2017, the condensed interim consolidated statement of loss and comprehensive loss for the three and six month periods ended February 28, 2017, and the condensed interim consolidated statement of changes in shareholders' equity and cash flows for the six month period then ended. These consolidated financial statements are the responsibility of National Access Cannabis Corporation management.

We performed our interim review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Accounting Standard No. 34, Interim Financial Reporting.

This report is solely for the use of the Audit Committee of National Access Cannabis Corporation to assist it in discharging its regulatory obligation to review these consolidated financial statements, and should not be used for any other purpose.

Comparative Information

We have previously audited, in accordance with Canadian generally accepted auditing standards, the financial statements of National Access Cannabis Corporation, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors' report dated June 14, 2017, we expressed an unmodified audit opinion on those financial statements. In our opinion, the information set forth in the accompanying statement of financial position as at August 31, 2016, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

The comparative interim condensed statements of comprehensive loss for the three-month period ended February 29, 2016 was neither audited nor reviewed.

Ottawa, Ontario
June 26, 2017



Chartered Professional Accountants
Licensed Public Accountants

NATIONAL ACCESS CANNABIS CORPORATION
Condensed Interim Consolidated Statements of Financial Position

As at February 28, 2017

(Unaudited)

(Expressed in Canadian Dollars)

As at	Notes	February 28, 2017	August 31 2016
Assets			
Current			
Cash		58,220	58,745
Trade and other receivables		300,814	178,178
Inventory	Note 5	31,988	10,027
Prepaid expenses		32,298	32,258
		423,320	279,208
Non-current			
Property and equipment	Note 6	984,586	558,151
Intangible assets	Note 7	-	23,359
Goodwill	Note 4	1,516,271	814,477
		2,924,177	1,675,195
Liabilities			
Current			
Trade and other payables		721,100	206,743
Note payable		345,000	-
Due to directors	Note 13	-	383,279
Deferred revenues		77,712	45,813
		1,143,812	635,835
Non-current			
Lease inducements		13,929	15,925
		1,157,741	651,760
Shareholders' Equity (Deficiency)			
Share capital	Note 8	3,061,135	1,534,109
Warrants	Note 8	1,770,526	1,295,526
Contributed surplus		185,940	32,374
Accumulated deficit		(3,251,165)	(1,838,574)
		1,766,436	1,023,435
		2,924,177	1,675,195

Going concern (Note 1)

Subsequent events (Note 17)

These financial statements were authorized for issue by the Board of Directors on June 26, 2017.

They are signed on the Company's behalf by:

Director

Director

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The accompanying notes and schedules are an integral part of these condensed interim consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six month periods ended February 28, 2017 and February 29, 2016

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	Three months ended February 28		Six months ended February 28	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenues					
Consultations		70,771	18,569	136,376	30,690
Membership fees		29,336	11,250	49,483	16,510
Commissions		122,947	16,119	197,286	16,874
Merchandise sales		26,600	11,461	45,656	21,549
		249,654	57,399	428,801	85,623
Cost of Goods Sold					
Merchandise		17,832	6,866	31,161	13,447
Freight (recovery)		(32)	20	(222)	30
Consultation fees		89,715	23,428	149,510	50,497
		107,515	30,314	180,449	63,974
Gross Profit		142,139	27,085	248,352	21,649
Expenses					
Advertising and marketing		46,761	11,910	81,006	26,969
Amortization of property and equipment		92,243	14,658	148,497	29,265
Amortization of intangible assets		9,344	13,970	23,359	27,939
General and administrative expenses (Schedule)		780,879	171,996	1,408,081	407,563
		929,227	212,534	1,660,943	491,736
Net loss and comprehensive loss for the period		(787,088)	(185,449)	(1,412,591)	(470,087)
Weighted-average number of shares		54,327,305	35,092,614	49,821,679	35,044,812
Net loss per share (Note 10)		(0.01)	(0.01)	(0.03)	(0.01)
Basic and diluted					

The accompanying notes and schedules are an integral part of these condensed interim consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the six month periods ended February 28, 2017 and February 29, 2016

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total (\$)
	Number of shares	Amount (\$)	Amount (\$)	Amount (\$)	Amount (\$)
Balance, September 1, 2015	34,997,010	1,124,109	1,270,726	(485,933)	1,888,902
Redemption of warrants (Note 8)	-	-	(25,200)	-	(25,200)
Share based compensation (Note 8)	600,000	30,000	-	-	30,000
Net loss and comprehensive loss for the period				(470,087)	(470,087)
Balance, February 29, 2016	35,597,010	1,154,109	1,245,526	(966,020)	1,433,615
Balance, September 1, 2016	41,697,010	1,534,109	1,295,526	(1,838,574)	1,023,435
Conversion of Director loans (Note 8)	8,000,000	400,000	-	-	400,000
Conversion of payable due to Director (Note 8)	221,860	33,279	-	-	33,279
Subscription receipts net of issuance costs (Note 8)	1,794,000	448,500	-	-	448,500
Subscription receipts for warrants net of issuance costs (Note 8)	-	-	475,000	-	475,000
Purchase of property and equipment (Note 8)	2,000,000	200,000	-	-	200,000
Acquisition of companies (Note 8)	1,300,000	325,000	-	-	325,000
Share based compensation (Note 8)	1,280,000	120,247	-	-	273,813
Net loss and comprehensive loss for the period				(1,412,591)	(1,412,591)
Balance, February 28, 2017	56,292,870	3,061,135	1,770,526	(3,251,165)	1,766,436

The accompanying notes and schedules are an integral part of these condensed interim consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION**Condensed Interim Consolidated Statements of Cash Flows**

For the six month periods ended February 28, 2017 and February 29, 2016

(Unaudited)

(Expressed in Canadian Dollars)

	February 28, 2017	February 29, 2016
Operating Activities		
Net loss and comprehensive loss	(1,412,591)	(470,087)
Adjustments not effecting cash		
Amortization of property and equipment	148,497	29,265
Amortization of intangible assets	23,359	27,939
Amortization of lease inducements	(1,996)	(1,050)
Share-based compensation	273,813	30,000
	(968,918)	(383,933)
Changes in non-cash working capital		
Trade and other receivables	(73,169)	79,401
Inventory	(21,961)	(2,408)
Prepaid expenses	(40)	(12,389)
Trade and other payables	139,890	(56,789)
Deferred revenues	22,484	16,213
Cash flows used in operating activities	(901,714)	(359,905)
Investing Activities		
Business combination	7,621	-
Acquisition of property and equipment	(374,932)	(1,009)
Cash flows used in investing activities	(367,311)	(1,009)
Financing Activities		
Issuance of share capital, net of share issue costs	448,500	-
Issuance of warrants, net of issuance costs	475,000	-
Repurchase of warrants	-	(25,200)
Note receivable	-	298,000
Note payable	345,000	-
Cash flows provided by financing activities	1,268,500	272,800
Net increase (decrease) in cash	(525)	(88,114)
Cash, beginning of period	58,745	437,726
Cash, end of period	58,220	349,612
Property, plant and equipment additions financed by share capital	200,000	Nil

NATIONAL ACCESS CANNABIS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
February 28, 2017 and February 29, 2016
(Unaudited)
(Expressed in Canadian Dollars)

1 - NATURE OF OPERATIONS AND GOING CONCERN

National Access Cannabis Corporation (the "Company") was incorporated on November 12, 2014 under the Business Corporations Act of British Columbia. National Access Canada Corporation ("Canada Corp"), a wholly-owned subsidiary of the Company, is in the business of providing cannabinoid education and introducing patients to medical cannabis treatments via our national network of physicians and health professionals. The Company is headquartered at 1111 Wellington Street West, Ottawa, Ontario, Canada, K1Y 2Y6.

On May 4, 2015, the Company entered into a share exchange agreement with Canada Corp pursuant to which the Company has acquired all of the issued and outstanding shares of Canada Corp in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). Upon completion of the Acquisition, Canada Corp became a wholly-owned subsidiary of the Company.

On December 21, 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 with \$100,000 paid at closing. An additional amount of \$175,000 is due conditionally in the event the Company is acquired by a public company (an "RTO") on or before January 1, 2018. If the Company does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of CannApply.

The reviewed interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on June 26, 2017.

Going Concern Assumption

These interim condensed consolidated financial statements for the period ended February 28, 2017 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the development stage of expanding by opening and acquiring 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, 2017 has an accumulated deficit of \$3,251,165.

The reviewed interim condensed consolidated financial statements for the year ended February 28, 2017 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 unaudited condensed interim consolidated financial statements present the Company's condensed interim consolidated balance sheets as at February 28, 2017 and August 31, 2016; its condensed interim consolidated loss for the three and six months ended February 28, 2017 and February 29, 2016; and changes in shareholders' equity and cash flows for the six months ended February 28, 2017 and February 29, 2016. These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required in annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the Company for the year ended August 31, 2016.

Further, the consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to use in its annual consolidated financial statements for the year ending August 31, 2017. These policies, set out below, have been consistently applied to all periods presented unless otherwise noted below.

2.2 Basis of measurement

The reviewed condensed interim 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, as explained in the accounting policies set out in Note 2.9.

The accounting policies set out below have been applied consistently by the Company and its wholly owned subsidiary for the periods presented in the reviewed condensed interim consolidated financial statements.

2.3 Basis of consolidation

The condensed consolidated financial statements include the accounts of National Access Cannabis Corporation, and the wholly-owned subsidiaries, 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.

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

Intercompany balance and transaction, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed consolidated financial statements.

2.4 Cash

Cash includes cash on deposit at banking institutions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Inventory

Inventory is valued at the lower of cost or net realisable value. Cost is calculated based on a first-in, first-out basis. Cost includes the acquisition cost at the date of purchase and costs directly attributable to bringing the asset to the location and condition necessary for distribution to customers. Net realisable value is the estimated selling price, in the ordinary course of business, less appropriate selling and distribution expenses.

When inventory is sold, the carrying amount of the inventory is recognised as an expense in cost of goods sold in the period in which the related revenue is recognised.

2.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated amortization and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line and declining balance methods based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred. Amortization is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual value on the straight-line method, over the estimated useful lives, as follows.

Furniture and equipment	5 years
Electronic equipment	3 years
Information panels	3 years
Signs	5 years
Leasehold improvements	Over the term of the lease

2.7 Intangible assets

Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful life of 2 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.8 Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Company's interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

For the purposes of assessing impairment, goodwill is allocated to cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Company that goodwill is monitored for internal reporting purposes. The impairment of non-financial assets note describes how goodwill is tested for impairment.

2.9 Financial instruments

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. As at August 31, 2016, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial assets include cash, trade and other receivables and note receivable. The Company's financial liabilities include trade and other payables and due to directors. Classification of these financial instruments is as follows:

Cash	FVTPL
Trade and other receivables	Loans and receivables
Trade and other payables	Other financial liabilities
Note payable	Other financial liabilities
Due to related parties	Other financial liabilities
Due to directors	Other financial liabilities

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of other comprehensive income (loss).

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value on the consolidated statement of financial position, consist of cash, which is measured at level 1 of the fair value hierarchy.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.10 Impairment

The Company assesses at each date of the statement of financial position whether a non-financial asset is impaired.

Property, plant and equipment, intangibles and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds the estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro-rata basis.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the statement of comprehensive income (loss).

An impairment loss in respect of a financial asset measured at amortized cost, such as trade and other receivables, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

2.11 Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings immediately.

2.12 Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available for sale investments and gains or losses on certain derivative instruments. To date, there have not been any charges to other comprehensive income (loss).

2.13 Revenue recognition

Revenue represents the fair value of the sale of goods to customers, net of discounts and sales tax in the ordinary course of the Company's activities. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, which generally arises on delivery.

Revenues from memberships, commissions and consultations are recognised when the service has been provided. Revenues received for future periods are deferred until such time as the service is provided.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share-based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted, incorporating the Black-Scholes option pricing model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

2.15 Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

2.16 Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be recovered.

2.17 Related party transactions

Related parties are individuals or corporations who do not deal at arms length with the Company.

2.18 Equity

Share capital

Share capital represents the amount received on the issuance of common shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options or warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if common shares are issued as consideration for the acquisition of non-monetary assets, they are measured at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the assets or services received, the common shares are measured at the fair value of the shares issued. Given that there is no quoted price for the Company's shares, the fair value is estimated by using other observable inputs at that date.

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised.

In the event that the Company reacquires its own warrants, they are held by the Company until the time they are transferred or cancelled. Upon cancellation the value of the warrants is closed into the deficit.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

2.19 Critical accounting estimates and judgements

The Company's condensed consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NATIONAL ACCESS CANNABIS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
February 28, 2017 and February 29, 2016
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2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain computer equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Judgements

Assessing the probability of utilizing deferred tax assets

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 13. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.8)

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year involves significant judgement based on historical events that are believed to be reasonable under the circumstances. See Note 1 for more information.

Valuation adjustments for inventory

The Company records a valuation adjustment for inventory by comparing inventory cost to its net realizable value. This process requires judgements related to future market demand, cost and pricing. These adjustments are reviewed on an ongoing basis and may have a significant impact on any valuation adjustment for inventories.

2.20 Segmented information

Throughout the period ended February 28, 2017, the Company operated in one segment, ownership and operation of clinics within Canada.

3 - NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE

At the date of authorization of these condensed 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 condensed interim 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 condensed interim 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 (that is, payment) 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 condensed interim 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 condensed interim consolidated financial statements.

NATIONAL ACCESS CANNABIS CORPORATION
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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). 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 with \$100,000 paid at closing. An additional amount of \$175,000 is due conditionally in the event the Company is acquired by a public company (an "RTO") on or before January 1, 2018. If the Company does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of CannApply.

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.

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)
Total net assets acquired		600,000

5 - INVENTORY

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

	February 28,	
	2017	August 31, 2016
Retail items	31,988	10,027

During the three and six month periods ended February 28, 2017, \$17,832 and \$31,161 of inventory was recognized as an expense, respectively (\$6,866 and \$13,447 for the three and six month periods ended February 29, 2016, respectively).

6 - PROPERTY AND EQUIPMENT

		Furniture and Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvements	Total
Cost:							
At August 31, 2015		33,127	20,739	14,233	8,000	192,730	268,829
	Additions	35,408	14,040	-	14,627	307,734	371,809
	Disposals	-	-	-	-	-	-
At August 31, 2016		68,535	34,779	14,233	22,627	500,464	640,638
	Additions	55,770	31,695	-	41,741	445,726	574,932
	Disposals	-	-	-	-	-	-
At February 28, 2017		124,305	66,474	14,233	64,368	946,190	1,215,570
Accumulated Amortization							
At August 31, 2015		1,065	1,536	965	286	8,848	12,700
	Amortization	7,246	7,009	4,744	1,924	48,864	69,787
	Disposals	-	-	-	-	-	-
At August 31, 2016		8,311	8,545	5,709	2,210	57,712	82,487
	Amortization	10,054	8,192	2,373	8,826	119,052	148,497
	Disposals	-	-	-	-	-	-
At February 28, 2017		18,365	16,737	8,082	11,036	176,764	230,984
Carrying amounts:							
At August 31, 2016		60,224	26,234	8,524	20,417	442,752	558,151
At February 28, 2017		105,940	49,737	6,151	53,332	769,426	984,586

NATIONAL ACCESS CANNABIS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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7 - INTANGIBLE ASSETS

		Total
		Software Licenses
Cost:		
At August 31, 2015		100,000
	Additions	-
	Disposals	-
At August 31, 2016		<u>100,000</u>
	Additions	-
	Disposals	-
At February 28, 2017		<u>100,000</u>
Accumulated Amortization		
At August 31, 2015		20,763
	Amortization	55,878
	Disposals	-
At August 31, 2016		<u>76,641</u>
	Amortization	23,359
	Disposals	-
At February 28, 2017		<u>100,000</u>
Carrying amounts:		
At August 31, 2016		<u>23,359</u>
At February 28, 2017		<u>-</u>

8 - EQUITY INSTRUMENTS

(a) **Share Capital**
Authorized:
The authorized capital stock of the Company consists of an unlimited number of common shares.

	Number of shares	Amounts
Balance, September 1, 2015	34,997,010	1,124,109
Share based compensation (i)	600,000	30,000
Balance, February 29, 2016	<u>35,597,010</u>	<u>1,154,109</u>
Balance, September 1, 2016	41,697,010	1,534,109
Conversion of Director Loans (ii)	8,000,000	400,000
Conversion of payable owed to Director (iii)	221,860	33,279
Subscription receipts net of issuance costs (iv)	1,794,000	448,500
Purchase of property, plant and equipment (v)	2,000,000	200,000
Acquisition of CannApply Medical Services (vi)	1,300,000	325,000
Share based compensation (i)	1,280,000	120,247
Balance, February 28, 2017	<u>56,292,870</u>	<u>3,061,135</u>

(i) 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 (2016 - \$30,000) and \$120,247 (2016 - \$30,000) 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 (2016 - Nil for the three month period and 600,000 for the six month period respectively).

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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, in the event that the milestone of going public is achieved, the Buyer will pay to the Seller an additional amount of \$50,000.

(vi) 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 deemed value of \$0.25 per share and \$275,000 in cash with \$100,000 paid at closing. An additional amount of \$175,000 is due conditionally in the event the Company is acquired by a public company (an "RTO") on or before January 1, 2018. If the Company does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of CannApply.

NATIONAL ACCESS CANNABIS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
February 28, 2017 and February 29, 2016
(Unaudited)
(Expressed in Canadian Dollars)

8 - EQUITY INSTRUMENTS (continued)

(b) **Warrants**

	Number of warrants	Amounts
Balance, August 31, 2015	8,622,699	1,270,726
Subscription for warrants receipts net of issuance costs (i)	333,333	50,000
Redemption of warrants (ii)	(168,000)	(25,200)
Balance, August 31, 2016	8,788,032	1,295,526
Subscription for warrants receipts net of issuance costs (iii)	2,966,666	475,000
Balance, February 28, 2017	11,754,698	1,770,526

(i) On June 9, 2016 the Company closed a non-brokered private placement for aggregate proceeds of \$50,000 consisting of 333,333 units. Each unit is comprised of one special warrant.

(ii) On February 1, 2016 168,000 special warrants with an exercise price of \$0.15 were cancelled and returned to treasury.

(iii) Between October 21, 2016 and February 7, 2017 the Company closed several non-brokered private placements for aggregate gross proceeds of \$475,000 consisting of 2,966,666 units. Each unit is comprised of one special warrant. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payments.

9 - 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 2,025,000 issued during the period ended February 28, 2017 (5,875,000 as at August 31, 2016). The employee compensation expense related to options vested for the period ended February 28, 2017 is \$153,566 (August 31, 2016 - \$32,374). The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan. For the period ended February 28, 2017 5,375,000 common shares (3,350,000 as at August 31, 2016) are reserved for addition options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of February 28, 2017 and August 31, 2016, and changes during the years ended on those dates, is presented below:

	February 28, 2017		August 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	3,350,000	-	-	0.15
Net granted	2,025,000	-	5,875,000	0.15
Exercised	-	-	-	-
Forfeited	-	-	-	-
Cancelled	-	-	(2,525,000)	0.15
Outstanding, end of year	5,375,000	-	3,350,000	0.15

The following table summarizes information about stock options as at February 28, 2017:

Number outstanding at February 28, 2017	Options outstanding		Options Exercisable
	Exercise prices	Weighted average remaining contractual life (in years)	Number exercisable at February 28, 2017
5,375,000	\$ 0.15	2.73	5,375,000

The weighted average exercise price was \$0.15 as at February 28, 2017 (August 31, 2016 - \$0.15) for exercisable options.

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model as at February 28, 2017 were: a weighted average share price of \$0.25 and an exercise price of \$0.15, risk free interest rate of between 0.94% and 1.38%, and volatility of 70% with no expected dividend yield.

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

The fair value of the stock options granted during the period ended February 28, 2017 was \$153,566 (August 31, 2016 - \$32,374).

10 - LOSS PER SHARE

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

	Three months ended February 28		Six months ended February 28	
	2017	2016	2017	2016
Weighted average number of common shares, basic and diluted	54,327,305	35,092,614	49,821,679	35,044,812

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 six months ended February 28, 2017 and the year ended August 31, 2016, 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 three and six month periods ending February 28, 2017 and February 29, 2016 because they are anti-dilutive are as follows:

	Three months ended February 28		Six months ended February 28	
	2017	2016	2017	2016
Stock options	5,375,000	-	5,375,000	-
Warrants	11,754,698	8,454,699	11,754,698	8,454,699
	17,129,698	8,454,699	17,129,698	8,454,699

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11 - 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 November 30, 2017 and April 30, 2020.

As at February 28, 2017, the minimum annual lease payments are expected to be as follows:

2017	128,208
2018	190,530
2019	115,580
2020	49,150
2021	26,046
	<u>509,514</u>

12 - KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Three months ended February 28		Six months ended February 28	
	2017	2016	2017	2016
Salaries	51,808	37,500	89,308	77,500
Directors' fees	-	16,000	-	16,000
Share-based compensation	214,146	30,000	273,813	30,000
Total Key Management Compensation	<u>265,954</u>	<u>83,500</u>	<u>363,121</u>	<u>123,500</u>

Salaries include cash payments for base salaries and bonuses. Directors' fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There were \$153,566 of stock options granted to key management personnel for the period ended February 28, 2017 (August 31, 2016 - \$32,374).

13 - 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.

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.

On November 22, 2016 \$400,000 payable to a director was settled with shares of the Company at a price of \$0.15 per share, for a total of 2,666,667 shares issued.

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 \$300,000 consisting of paying the seller \$50,000 and issue of 2,000,000 common shares in capital of the Company. As a further consideration, in the event that the milestone of going public is achieved, the Buyer will pay to the Seller an additional amount of \$50,000.

Members of the Board of Directors and executive management team of the Company received compensation for consulting services and salaries. For the three and six-month period ended February 28, 2017, the Company's expenses included \$265,954 (2016 - \$83,500) and \$363,121 (2016 - \$123,500) respectively for consulting fees and salaries.

During the period ended February 28, 2017, rent in the amount of \$18,000 was paid to a shareholder of the Company, and rent in the amount \$19,950 (\$19,495 for the period ended February 29, 2016) was paid to the immediate family of the same shareholder.

14 - INCOME TAXES

As at February 28, 2017, the Company has not recognized a deferred tax asset in respect of its deductible temporary differences and past losses incurred as it has not been demonstrated that the Company will be able to generate sufficient future profits to utilize this tax asset over a reasonable period of time. The expiry of the Company's non-capital losses are as follows:

2035	495,933
2036	1,313,869
	<u>1,809,802</u>

15 - FINANCIAL INSTRUMENTS

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

		As at February 28, 2017	As at August 31, 2016
Financial assets:			
FVTPL			
Loans and receivables	Cash	58,220	58,745
	Trade and other receivables	300,814	178,178
Total financial assets		359,034	236,923
Financial liabilities:			
Financial liabilities at amortized cost			
	Trade and other payables	721,100	206,743
	Note payable	345,000	-
	Due to directors	-	383,279
Total financial liabilities		1,066,100	590,022

15 - 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

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

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 collection issues and no receivables are past due or impaired.

16 - 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, 2017.

17 - SUBSEQUENT EVENTS

On March 1st 2017, the Company received a loan of \$150,000 from a related party. On March 29th, 2017 the Company received an additional loan of \$100,000 from the same related party. Both loans are unsecured, bear interest at 5% per annum and are due July 31st, 2017.

On March 29, 2017 the Company entered into a letter of intent with Brassneck Capital Corp., a capital pool company, in respect of a proposed transaction pursuant to which the Company is expected to acquire Brassneck by way of a reverse takeover transaction (the "Acquisition"). It is currently anticipated that the Acquisition will occur as a merger, amalgamation or share exchange, the final structure of the Acquisition being subject to receipt of tax, corporate and securities law advice for both the Company and Brassneck. Upon completion of the Acquisition, the combined entity (the "Resulting Issuer") will continue to carry on the business of the Company. It is expected that upon completion of the Acquisition, the Resulting Issuer will meet the Initial Listing Requirements for a Tier 2 Life Sciences issuer under the policies of the TSX Venture Exchange.

The Company completed a private placement financing of convertible notes ("Convertible Notes") for aggregate gross proceeds of \$1,000,000 on April 11, 2017. The holders of Convertible Notes will be paid interest at a rate of 10% per year, payable semi-annually, with any accrued interest to be forgiven upon completion of the Acquisition. The terms of the Convertible Notes provide that immediately prior to completion of the Acquisition, the Convertible Notes will convert into common shares of the Company at a 20% discount to the Concurrent Financing Price, subject to approvals from the Exchange. The proceeds of the Convertible Notes will be used for general working capital and, upon completion of the Acquisition, the Resulting Issuer's future growth plans.

On May 12, 2017 all warrants were exercised for common shares.

NATIONAL ACCESS CANNABIS CORPORATION

Schedule of General and Administrative Expenses

For the three and six-month periods ended February 28, 2017 and February 29, 2016
(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended February 28		Six months ended February 28	
	2017	2016	2017	2016
	\$	\$	\$	\$
General and administrative expenses				
Bad debt	-	113	-	113
Business taxes and licenses	77	-	263	-
Computer expenses	2,904	3,488	5,929	5,783
Insurance	-	-	3,451	3,200
Interest and bank charges	50,789	1,995	54,388	3,421
Laundry and cleaning	277	209	535	810
Management fees	27,796	16,666	96,391	62,500
Office supplies	49,371	8,829	85,010	24,106
Professional fees	268,404	66,494	363,775	158,138
Rental	91,461	4,131	179,735	22,106
Repairs and maintenance	220	140	220	220
Salaries and benefits	251,561	61,902	545,446	112,107
Telecommunications	3,002	846	5,855	3,753
Travel and entertainment	24,306	6,075	51,049	9,215
Uniforms	4,817	-	4,817	-
Utilities	5,894	1,108	11,217	2,091
	780,879	171,996	1,408,081	407,563

The accompanying notes and schedules are an integral part of these condensed interim consolidated financial statements.

Wilson Master Apps Inc.
Financial Statements
July 31, 2016 and 2015

Independent Auditors' Report

To the Shareholders of Wilson Master Apps Inc.:

We have audited the accompanying financial statements of Wilson Master Apps Inc., which comprise the statement of financial position as at July 31, 2016 and 2015, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wilson Master Apps Inc. as at July 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calgary, Alberta
June 22, 2017

MNP LLP

Chartered Professional Accountants

MNP

Wilson Master Apps Inc.
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For the year ended July 31, 2016

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Wilson Master Apps Inc.
Statement of Financial Position

As at July 31

	2016	2015
Assets		
Current		
Cash (Note 5)	21,140	8,652
Trade and other receivables (Note 6)	34,775	1,860
Short term investments	-	995
Total Assets	55,915	11,507
Liabilities		
Current		
Trade and other payables	137,400	53,148
Deferred revenue	27,917	3,958
Total Liabilities	165,317	57,106
Shareholders' Equity (Deficit)		
Share capital (Note 9)	100	100
Deficit	(109,502)	(45,699)
Total Shareholders' Equity (Deficit)	(109,402)	(45,599)
Total Liabilities and Shareholders' Equity (Deficit)	55,915	11,507
Contingency (Note 13)		
Subsequent event (Note 14)		
Approved on behalf of the Board of Directors		
<i>"signed"</i>	<i>"signed"</i>	
_____ Kyle Wilson, Director	_____ Jameel Khaleel, Director	

The accompanying notes are an integral part of these financial statements

Wilson Master Apps Inc.
Statement of Comprehensive loss
For the year ended July 31

	2016	2015
Revenue	297,119	119,027
Expenses		
General and administrative	141,710	40,816
Retail Product	26,789	7,552
Provincial taxes	-	170
Salaries and wages (<i>note 11</i>)	187,445	125,233
Interest and bank charges	4,978	5,280
Total expenses	360,922	179,051
Loss before the undernoted	63,803	60,024
Other income		
Gain on shareholder loan forgiveness (<i>note 11</i>)	-	(18,893)
Total comprehensive loss for the year attributable to shareholders	(63,803)	(41,131)

The accompanying notes are an integral part of these financial statements

Wilson Master Apps Inc.
Statement of Changes in Shareholders' Equity
As at

	<i>Share capital</i>	<i>Retained earnings (Deficit)</i>	<i>Shareholders' Equity (deficit)</i>
Balance August 1, 2014	100	(4,568)	(4,468)
Total comprehensive loss	-	(41,131)	(41,131)
Balance August 1, 2015	100	(45,699)	(45,599)
Total comprehensive loss	-	(63,803)	(63,803)
Balance July 31, 2016	100	(109,502)	(109,402)

The accompanying notes are an integral part of these financial statements

Wilson Master Apps Inc.
Statement of Cash Flows

For the year ended July 31

	2016	2015
<hr/>		
Cash provided by (used for) the following activities		
Operating activities		
Total Comprehensive loss	(63,803)	(41,131)
Changes in working capital accounts		
Trade and other receivables	(32,915)	(1,860)
Trade and other payables	84,251	43,713
Deferred revenue	23,960	3,958
<hr/>		
Cash provided by operating activities	11,493	4,680
<hr/>		
Investing activities		
Purchases of short term investments	-	(995)
Proceeds from disposal of short term investments	995	-
<hr/>		
Cash provided by (used in) investing activities	995	(995)
<hr/>		
Increase in cash resources	12,488	3,685
<hr/>		
Cash resources, beginning of year	8,652	4,967
<hr/>		
Cash resources, end of year	21,140	8,652
<hr/>		

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Wilson Master Apps Inc. (the "Company") was incorporated under the Alberta Business Corporation Act on February 26, 2015. The Company is domiciled in Canada and operates under the name Cannapply Medical Services. The Group primarily is involved in providing health services to cannabis patients.

The address of the Company's registered office is 1111 Wellington Street West, Ottawa, Canada.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and pronouncements adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at August 1, 2015.

These financial statements were approved by the Board of Directors on June 9, 2017

3. Basis of preparation

Basis of measurement

The financial statements have been prepared in the historical basis except for financial instruments classified as fair value through profit or loss which are measured at fair value with changes in fair value recorded in earnings.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax return has not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Accounts receivable

The Company makes use of estimates when making allowances for uncollectible trade receivables. The Company evaluates each receivable at year end using factors such as age of receivable, payment history and credit risk to estimate when determining if an allowance is required, and the amount of the allowance.

Provisions

The Company is also exposed to legal risk. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional obligations that could significantly influence the business and the results of operations.

4. Summary of significant accounting policies

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

Membership revenue is deferred and recognized on a pro-rata basis over the term of the membership, which is typically 12 months.

Cash

Cash consists of cash in the bank.

Income taxes

Taxation on the profit or loss for the year comprises of current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current taxes

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantively enacted at the year end, and includes any adjustments to tax payable in respect of previous years.

Deferred taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Any changes in deferred tax assets or liabilities are recognized as part of tax expense or income in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss).

Financial instruments

Financial assets at fair value through profit or loss:

The Company has designated cash on initial recognition at fair value through profit (loss). The Company's financial assets at fair value through profit (loss) are initially recognized at their fair value. Fair value is determined by published price quotations in an active market.

Financial assets at fair value through profit (loss) are subsequently measured at their fair value. Net gains and losses arising from changes in fair value recognized immediately in profit (loss).

4. Summary of significant accounting policies *(Continued from previous page)*

Loans and receivables:

The Company has classified the following financial assets as loans and receivables: Trade and other receivables. These assets are initially recognized at their fair value. Fair value is determined by reference to recent arm's length market transactions for the same instrument.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Financial liabilities measured at amortized cost:

The Company has classified the following financial liabilities as financial liabilities measured at amortized cost: Trade and other payables. These liabilities are initially recognized at their fair value. Fair value is determined by reference to recent arm's length market transactions for the same instrument. Transactions to purchase or sell these items are recorded on the trade date.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year profit (loss).

The Company reverses impairment losses on debt instruments classified as available-for-sale when an increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. In addition, the Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at July 31, 2016 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize, measure, and disclose revenue. The standard supersedes all current standards dealing with revenue recognition, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers*, and SIC 31 *Revenue – barter transactions involving advertising services*.

Amendments to IFRS 15, issued in April 2016, clarify some requirements and provide additional transition relief for when an entity first applies IFRS 15.

IFRS 15, and the amendments, are effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

4. Summary of significant accounting policies (Continued from previous page)

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on its financial statements.

IAS 7 Statement of Cash flows

IAS 7 – "Statement of Cash Flows" was amended in April 2016. The IASB issued amendments for the annual period beginning on or after January 1, 2017, with earlier application permitted. The amendments require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company has evaluated the impact of IAS 7 on its financial statements and determined the impact will not be significant.

IFRS 9 Financial Instruments

IFRS 9 - "Financial Instruments", is intended to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. For financial liabilities designated at fair value through profit or loss, a company can recognize the portion of the change in fair value related to the change in the company's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements.

IAS 12 Income Taxes

IAS 12 – "Income Taxes" was amended for the annual period beginning on January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The Company has evaluated the impact of IAS 12 on its financial statements and determined the impact will not be significant.

5. Cash and cash equivalents

	2016	2015
Cash and cash equivalents	21,140	8,652
	21,140	8,652

6. Trade and other receivables

Trade receivables are unsecured and non-interest bearing and are generally collect on 30 day terms. Trade receivables represent amounts owing from licensed producers which are normally collected with 30 to 60 days after month-end.

	2016	2015
Trade receivables	34,775	1,860
	34,775	1,860

Wilson Master Apps Inc.
Notes to the Financial Statements
For the year ended July 31, 2016

7. **Fair value measurements**

Recurring fair value measurements

The Company's assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

	2016	Level 1
	<i>Fair Value</i>	
Assets		
Financial assets at fair value through profit or loss		
Cash	21,140	21,140
Total assets	21,140	21,140
	<i>2015</i>	<i>Level 1</i>
	<i>Fair Value</i>	
Assets		
Financial assets at fair value through profit or loss		
Cash	8,652	8,652
Total assets	8,652	8,652

The Company uses three input levels to measure fair value:

Level 1 - unadjusted quoted prices in active markets of identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - quoted prices for similar assets or liabilities, quotes in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities; and

Level 3 - unobservable inputs that are supported by little or no market activity that are significant to fair value of the assets or liabilities.

8. **Financial instruments**

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and trade and other receivables. The Company's cash and cash equivalents is held with large established financial institutions.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

Wilson Master Apps Inc.
Notes to the Financial Statements
For the year ended July 31, 2016

8. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full when they fall due. The Company manages this risk by making sure it has enough funds to meet obligations as they come due, mainly through loans from shareholders. The funds are primarily used to finance capital expenditure requirements and are adequate to meet the Company's financial obligations associated with financial liabilities.

	< 1 year	Total
Trade and other payables	137,400	137,400
	137,400	137,400

9. Share capital

	2016	2015
The corporation is authorized to issue an unlimited number of Class "A" voting shares and an unlimited number of Class "B" non-voting shares	100	100
	100	100

As at July 31, 2016 and 2015 the Company has 100 Class "A" voting shares issued and outstanding.

10. Capital management

Management defines capital as the Company's shareholders' deficit and trade and other payables. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company is not subject to any externally imposed capital requirements.

11. Related party transactions

Key management personnel are comprised of the Company's Directors and Officers. The remuneration of key management personnel during the years ended July 31, 2016 and 2015 were as follows:

	2016	2015
Short-term employee benefits	50,507	102,021

During the year-ended July 31, 2015, a shareholder forgave \$18,893 in advances to the Company. As a result, a gain on loan forgiveness in the amount of \$18,893 was recorded in the statement of comprehensive loss. As at July 31, 2016, there was no amounts owing to this shareholder.

Wilson Master Apps Inc.
Notes to the Financial Statements
For the year ended July 31, 2016

12. Income tax

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rate of 14% (2015 – 14%) to the losses incurred. These differences result from the following items:

	July 31, 2016	July 31, 2015
Total loss	\$ 63,803	\$ 41,131
Expected income tax recovery	\$ 8,932	\$ 5,758
Other	(3,767)	(949)
Change in unrecognized deferred tax asset	(5,165)	(4,809)
Total income tax recovery	\$ -	\$ -

Details of the unrecognized deductible temporary differences are as follows:

	July 31, 2016	July 31, 2015
Non-capital loss carry forwards	\$ 79,605	\$ 39,369
Capital assets	186	338
Other assets	346	344
Unrecognized deductible temporary differences	\$ 80,137	\$ 40,051

At this stage of the Company's development, it cannot be reasonably estimated that there will be future taxable profits, so no deferred income tax assets were recognized.

At July 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital losses of approximately \$79,605 (2015 - \$39,369).

13. Contingency

The Company has been named as defendant in a lawsuit issued by Medi-Venture Corp., seeking to recover damages allegedly sustained by them as a result of use of a trademark. The complaint with respect to this action generally alleges the Company was using the trademark without authorization. This lawsuit is currently in its early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuits or to estimate the loss, if any, which may result.

14. Subsequent event

On December 23, 2016, National Access Cannabis Corporation (NAC) acquired 100% of the issued and outstanding shares of the Company for \$600,000 consisting of \$100,000 in cash and 1,300,000 in shares upon closing and an additional amount of \$175,000 due conditionally in the event NAC is acquired by a public company (an "RTO") on or before January 1, 2018. If NAC does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of the Company.

Wilson Master Apps Inc.
Condensed Interim Financial Statements
For the six month periods ended January 31, 2017 and 2016

Wilson Master Apps Inc.
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For the six month periods ended January 31, 2017 and 2016

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Wilson Master Apps Inc.
Condensed Interim Statement of Financial Position

As at,

	<i>January 31, 2017 (Unaudited)</i>	<i>July 31, 2016 (Audited)</i>
Assets		
Current		
Cash	\$ 4,914	\$ 21,140
Trade and other receivables (Note 3)	40,630	34,775
Total Assets	\$ 45,544	\$ 55,915
 Liabilities		
Current		
Trade and other payables	\$ 153,331	\$ 137,400
Deferred revenue	6,959	27,917
Total Liabilities	160,290	165,317
 Shareholders' Equity (Deficit)		
Share capital (Note 7)	100	100
Deficit	(114,846)	(109,502)
Shareholders' Total Equity (Deficit)	(114,746)	(109,402)
Total Liabilities and Shareholder's (Deficit)	\$ 45,544	\$ 55,915

Contingency (Note 9)

Approved on behalf of the Board of Directors:

Signed " " _____
 Chuck Rifici, Director

Wilson Master Apps Inc.
Condensed Interim Income Statement
For the six month periods ended January 31,
(Unaudited)

	2017	2016
Revenue	\$ 124,669	\$ 93,867
Expenses		
General and administrative	43,074	24,002
Retail product	-	15,960
Salaries and wages	83,737	69,423
Interest and bank charges	3,202	1,382
Total expenses	130,013	110,767
Net loss for the period	\$ (5,344)	\$ (16,900)

The accompanying notes are an integral part of these condensed interim financial statements

Wilson Master Apps Inc.
Condensed Interim Statement of Changes in Equity
As at,
(Unaudited)

	<i>Share Capital</i>	<i>Deficit</i>	<i>Shareholders' Equity (Deficit)</i>
Balance August 1, 2015	\$ 100	\$ (45,699)	\$ (46,599)
Net loss for the year	-	(63,803)	(63,803)
Balance July 31, 2016	100	(109,502)	(109,402)
Net loss for the period	-	(5,344)	(5,344)
Balance January 31, 2017	\$ 100	\$ (114,846)	\$ (114,746)

The accompanying notes are an integral part of these condensed interim financial statements

Wilson Master Apps Inc.
Statement of Cash Flows
For the six month periods ended January 31,
(Unaudited)

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Net loss for the period	\$ (5,344)	\$ (16,900)
Changes in working capital accounts		
Trade and other receivables	(5,855)	(7,758)
Trade and other payables	15,932	22,231
Deferred revenue	(20,959)	6,475
Cash (used in) provided by operating activities	(16,226)	4,048
Increase (decrease) in cash resources	(16,226)	4,048
Cash resources, beginning of period	21,140	8,652
Cash resources, end of period	\$ 4,914	\$ 12,700

The accompanying notes are an integral part of these condensed interim financial statements

Wilson Master Apps Inc.
Notes to the Condensed Interim Financial Statements
For the six month periods ended January 31, 2017 and 2016

1. General information

Wilson Master Apps Inc. (the "Company") was incorporated under the Alberta Business Corporation Act on February 26, 2015. The Company is domiciled in Canada. The Group primarily is involved in providing health services to cannabis patients.

On December 23, 2016, National Access Cannabis Corporation (NAC) acquired 100% of the issued and outstanding shares of the Company for \$600,000 consisting of \$100,000 in cash and 1,300,000 in shares upon closing and an additional amount of \$175,000 due conditionally in the event NAC is acquired by a public company (an "RTO") on or before January 1, 2018. If NAC does not complete an RTO by January 1, 2018 an additional 500,000 common shares and \$25,000 in cash will be paid to the former shareholders of the Company.

The address of the Company's registered office is 1111 Wellington Street West, Ottawa, Canada.

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), using the accounting policies and methods of computation disclosed in the Company's audited financial statements for the year ended July 31, 2016. These condensed interim financial statements should be read in conjunction with the annual statements as condensed interim statements exclude certain disclosures.

Basis of measurement

The condensed interim financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets recorded on the date of transaction. These condensed interim financial statements have been prepared on a going concern basis.

Items included in the condensed interim financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars.

2. Significant accounting policies

These condensed interim financial statements follow the same accounting policies as the most recent annual financial statements for the year ended July 31, 2016.

3. Trade and other receivables

Trade receivables are unsecured and non-interest bearing and are generally owing from licensed producers which are normally collected with 30 to 60 days after month-end.

4. Key management compensation

Key management personnel are comprised of the Company's Directors and Officers. The remuneration of key management personnel during the six months ended January 31, 2017 and 2016 were as follows:

	2017	2016
Short-term employee benefits	\$ 24,400	\$ 24,400

As at January 31, 2017, \$24,400 (2016 - \$24,400) was payable to these officers and directors.

5. Fair value measurements

Recurring fair value measurements

The Company's assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy.

The Company uses three input levels to measure fair value:

5. **Fair value measurements** (continued from previous page)

Level 1 - unadjusted quoted prices in active markets of identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. As at January 31, 2017, the Company's cash has been subject to level 1 valuation;

Level 2 - quoted prices for similar assets or liabilities, quotes in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities; and,

Level 3 - unobservable inputs that are supported by little or no market activity that are significant to fair value of the assets or liabilities.

6. **Financial instruments**

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and trade and other receivables. The Company's cash is held with large established financial institutions. Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Company's trade and other receivables best represents the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full when they fall due. The Company manages this risk by making sure it has enough funds to meet obligations as they come due, mainly through loans from shareholders. The funds are primarily used to finance capital expenditure requirements and are adequate to meet the Company's financial obligations associated with financial liabilities.

	< 1 year	Total
Trade and other payables	\$ 153,331	\$ 153,331
	\$ 153,331	\$ 153,331

7. **Share capital**

	January 31, 2017	July 31, 2016
The Company is authorized to issue an unlimited number of Class "A" voting shares and an unlimited number of Class "B" non-voting shares	\$ 100	\$ \$100

As at January 31, 2017 and July 31, 2016 the Company has 100 Class "A" voting shares issued and outstanding.

8. **Capital disclosures**

Management defines capital as the Company's shareholders' deficit and trade and other payables. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

9. Contingency

The Company has been named as defendant in a lawsuit issued by Medi-Venture Corp., seeking to recover damages allegedly sustained by them as a result of use of a trademark. The complaint with respect to this action generally alleges the Company was using the trademark without authorization. This lawsuit is currently in its early stages and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result.