

# **NATIONAL ACCESS CANNABIS CORPORATION**

**Condensed Interim Consolidated Financial Statements  
For the Three and Nine Month Periods Ended May 31, 2017  
(Expressed in Canadian Dollars)**

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

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# **NATIONAL ACCESS CANNABIS CORPORATION**

## **Condensed Interim Consolidated Financial Statements**

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**For the Three and Nine Month Periods Ended May 31, 2017**

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To the Audit Committee of National Access Cannabis Corporation:

In accordance with our engagement letter dated August 2<sup>nd</sup>, 2017 we have performed an interim review of the condensed interim consolidated statement of financial position of National Access Cannabis Corporation as at May 31, 2017, the condensed interim consolidated statement of loss and comprehensive loss for the three and nine month periods ended May 31, 2017 and May 31, 2016, and the condensed interim consolidated statement of changes in shareholders' equity and cash flows for the nine 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 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.

Ottawa, Ontario  
August 25, 2017



Chartered Professional Accountants  
Licensed Public Accountants

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

As at May 31, 2017

(Unaudited)

(Expressed in Canadian Dollars)

As at	Notes	May 31, 2017	August 31, 2016
<b>Assets</b>			
<b>Current</b>			
Cash		291,846	58,745
Trade and other receivables		448,311	178,178
Inventory	Note 5	39,050	10,027
Prepaid expenses		43,362	32,258
		<b>822,569</b>	279,208
<b>Non-current</b>			
Property and equipment	Note 6	892,574	558,151
Intangible assets	Note 7	-	23,359
Goodwill	Note 4	1,516,271	814,477
		<b>3,231,414</b>	1,675,195
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables		892,151	206,743
Convertible debentures	Note 8	923,714	-
Note payable	Note 9	382,500	-
Due to directors	Note 15	250,000	383,279
Deferred revenues		71,317	45,813
		<b>2,519,682</b>	635,835
<b>Non-current</b>			
Lease inducements		12,654	15,925
		<b>2,532,336</b>	651,760
<b>Shareholders' Equity</b>			
Share capital	Note 10	5,284,606	1,534,109
Warrants	Note 10	-	1,295,526
Equity portion of convertible debentures		46,186	-
Contributed surplus		240,404	32,374
Accumulated deficit		(4,872,118)	(1,838,574)
		<b>699,078</b>	1,023,435
		<b>3,231,414</b>	1,675,195

Going concern (Note 1)

Subsequent events (Note 19)

These financial statements were authorized for issue by the Board of Directors on August 25, 2017.

They are signed on the Company's behalf by:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**NATIONAL ACCESS CANNABIS CORPORATION**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the Three and Nine month periods ended May 31, 2017 and May 31, 2016**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

	Notes	Three months ended May 31		Nine months ended May 31	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Revenues</b>					
Consultations		68,780	34,452	205,156	65,142
Membership fees		44,809	16,385	94,292	32,894
Administration fees		13,790	-	13,790	-
Commissions		197,676	35,006	393,426	51,881
Merchandise sales		38,526	14,003	84,679	35,552
		<b>363,581</b>	<b>99,846</b>	<b>791,343</b>	<b>185,469</b>
<b>Cost of Goods Sold</b>					
Merchandise		30,008	8,829	61,876	22,276
Freight (recovery)		41	-	(181)	30
Consultation fees		115,767	22,090	252,777	72,587
		<b>145,816</b>	<b>30,919</b>	<b>314,472</b>	<b>94,893</b>
<b>Gross Profit</b>		<b>217,765</b>	<b>68,927</b>	<b>476,871</b>	<b>90,576</b>
<b>Expenses</b>					
Advertising and marketing		106,795	25,830	188,851	52,799
Amortization of property and equipment		94,335	14,952	242,832	44,217
Amortization of intangible assets		-	13,970	23,359	41,909
General and administrative expenses (Schedule)		1,632,519	354,025	3,055,373	761,845
		<b>1,833,649</b>	<b>408,777</b>	<b>3,510,415</b>	<b>900,770</b>
<b>Net loss and comprehensive loss for the period</b>		<b>(1,615,884)</b>	<b>(339,850)</b>	<b>(3,033,544)</b>	<b>(810,194)</b>
Weighted-average number of shares		58,957,101	35,897,010	52,839,097	35,330,952
<b>Net loss per share (Note 12)</b>					
Basic and diluted		<b>(0.03)</b>	<b>(0.01)</b>	<b>(0.06)</b>	<b>(0.02)</b>

## NATIONAL ACCESS CANNABIS CORPORATION

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine month periods ended May 31, 2017 and May 31, 2016

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital		Convertible Debentures	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	-	(495,933)	1,898,902
Redemption of warrants (Note 10)	-	-	-	(25,200)	-	-	(25,200)
Share based compensation (Note 10)	1,500,000	75,000	-	-	-	-	75,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(810,194)	(810,194)
Balance, May 31, 2016	36,497,010	1,199,109	-	1,245,526	-	(1,306,127)	1,138,508
Balance, September 1, 2016	41,697,010	1,534,109	-	1,295,526	32,374	(1,838,574)	1,023,435
Conversion of Director loans (Note 10)	8,000,000	400,000	-	-	-	-	400,000
Conversion of payable due to Director (Note 10)	221,860	33,279	-	-	-	-	33,279
Subscription receipts net of issuance costs (Note 10)	1,794,000	431,445	-	-	-	-	431,445
Convertible debentures	-	-	46,186	-	-	-	46,186
Subscription receipts for warrants net of issuance costs (Note 10)	-	-	-	475,000	-	-	475,000
Purchase of property and equipment (Note 10)	2,000,000	200,000	-	-	-	-	200,000
Acquisition of companies (Note 10)	1,300,000	325,000	-	-	-	-	325,000
Share based compensation (Note 10)	2,660,000	590,242	-	-	208,030	-	798,272
Conversion of options (Note 10)	500,000	5	-	-	-	-	5
Conversion of warrants (Note 10)	11,754,698	1,770,526	-	(1,770,526)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,033,544)	(3,033,544)
Balance, May 31, 2017	69,927,568	5,284,606	46,186	-	240,404	(4,872,118)	699,078

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 nine month periods ended May 31, 2017 and May 31, 2016  
(Unaudited)  
(Expressed in Canadian Dollars)**

	May 31, 2017	May 31, 2016
<b>Operating Activities</b>		
Net loss and comprehensive loss	(3,033,544)	(810,194)
Adjustments not effecting cash		
Amortization of property and equipment	242,832	44,217
Amortization of intangible assets	23,359	41,909
Amortization of lease inducements	(3,271)	(1,885)
Share-based compensation	208,030	75,000
Equity-settled share based payments	1,223,526	-
	<b>(1,339,068)</b>	<b>(650,953)</b>
Changes in non-cash working capital		
Trade and other receivables	(220,666)	52,969
Inventory	(29,023)	(9,421)
Prepaid expenses	(11,104)	(2,239)
Trade and other payables	535,941	11,153
Deferred revenues	16,089	25,872
Cash flows used in operating activities	<b>(1,047,831)</b>	<b>(572,619)</b>
<b>Investing Activities</b>		
Lease inducements	-	7,442
Acquisition of property and equipment	(577,255)	(24,524)
Acquisition of CannApply (net of cash acquired)	(267,379)	-
Cash flows used in investing activities	<b>(844,634)</b>	<b>(17,082)</b>
<b>Financing Activities</b>		
Issuance of share capital, net of share issue costs	431,445	-
Issuance of warrants, net of issuance costs	475,000	-
Issuance of convertible debentures, net of issuance costs	969,900	-
Repurchase of warrants	-	(25,200)
Note receivable	-	298,000
Note payable	382,500	-
Repayment of due to directors	(133,279)	-
Cash flows provided by financing activities	<b>2,125,566</b>	<b>272,800</b>
Net increase (decrease) in cash	<b>233,101</b>	<b>(316,901)</b>
<b>Cash, beginning of period</b>	<b>58,745</b>	<b>437,726</b>
<b>Cash, end of period</b>	<b>291,846</b>	<b>120,825</b>
Property, plant and equipment additions financed by share capital	<b>200,000</b>	Nil

## **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 condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 25, 2017.

### **Going Concern Assumption**

These condensed interim consolidated financial statements for the period ended May 31, 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 May 31, 2017 has an accumulated deficit of \$4,872,118 and negative working capital of \$1,697,113.

The reviewed condensed interim consolidated financial statements for the year ended May 31, 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 May 31, 2017 and August 31, 2016; its condensed interim consolidated earnings for the three and nine months ended May 31, 2017 and May 31, 2016; and changes in shareholders' equity and cash flows for the nine months ended May 31, 2017 and May 31, 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 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 interim 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 condensed 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 interim consolidated financial

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

### **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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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 May 31, 2017, 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 and trade and other receivables. The Company's financial liabilities include trade and other payables, convertible debentures, note payable 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
Convertible debentures	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 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, administration fees and consultations are recognised at the latter of when the service has been provided and collection is reasonably assured. Revenues received for future periods are deferred until such time as the service is provided.

Revenues from commissions are recognised when the amounts are fixed or determinable and collection is reasonably assured.

**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

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 interim 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.

## **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 May 31, 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 interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the 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 on 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.

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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)
<b>Total net assets acquired</b>	<b>600,000</b>

**5 - INVENTORY**

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

	<u>May 31, 2017</u>	<u>August 31, 2016</u>
Retail items	39,050	10,027

During the three and nine month periods ended May 31, 2017, \$30,008 and \$61,876 of inventory was recognized as an expense, respectively (\$8,829 and \$22,276 for the three and nine month periods ended May 31, 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	34,018	-	41,741	445,726	577,255
	Disposals	-	-	-	-	-	-
At May 31, 2017		124,305	68,797	14,233	64,368	946,190	1,217,893
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	16,281	13,795	3,559	13,836	195,361	242,832
	Disposals	-	-	-	-	-	-
At May 31, 2017		24,592	22,340	9,268	16,046	253,073	325,319
Carrying amounts:							
At August 31, 2016		60,224	26,234	8,524	20,417	442,752	558,151
At May 31, 2017		99,713	46,457	4,965	48,322	693,117	892,574

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**7 - INTANGIBLE ASSETS**

		Total
Cost:		Software Licenses
At August 31, 2015		100,000
	Additions	-
	Disposals	-
At August 31, 2016		<u>100,000</u>
	Additions	-
	Disposals	-
At May 31, 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 May 31, 2017		<u>100,000</u>
Carrying amounts:		
At August 31, 2016		<u>23,359</u>
At May 31, 2017		<u>-</u>

**8 - CONVERTIBLE DEBENTURES**

On April 10, 2017, the Company completed a private placement financing of convertible debentures with a total principal amount of \$1,000,000. Total transaction costs of \$30,100 were incurred on the issuance. The holders of Convertible Debentures 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 Debentures provide that immediately prior to completion of the Acquisition, the Convertible Debentures will convert into common shares of the Company at a 20% discount to the Concurrent Financing Price or 5,000,000 shares. The private placement offering of the Company occurred on July 10, 2017.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. As a result, to determine the fair value of the liability component, a three-month amortization period was used. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture wither similar terms would earn.

The Company has allocated the proceeds from issuance between the estimated fair value of equity and debt components using an effective interest rate for the debt component of 20%. Based on this calculation, the liability component is \$923,714 (\$952,381 net of transaction costs) and the residual equity component is \$46,186 (\$47,619 net of transaction costs).

For its services, the broker received 150,000 Agents Convertible Note Warrants to purchase the Company's shares. The terms of the Agents Convertible Note Warrants provide that the broker may acquire the shares at an exercise price of \$0.20 per share at any time up until April 11, 2019.

**9 - NOTE PAYABLE**

On November 29, 2016 the Company borrowed \$300,000 from an unsecured lender at an interest rate on the principal at 5% per month from December 2016 through April 2017, and 2.5% per month on the principal from May 2017 forward. The loan and the interest amount are to be repaid in full or in the equivalent amount of National Access Cannabis Corporation common shares. The common share price will be based on market price. The option of converting all or part of the principal and interest amount into common shares is at the lender's sole discretion.

**10 - EQUITY INSTRUMENTS**

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

	<u>Number of shares</u>	<u>Amounts</u>
<b>Balance, September 1, 2015</b>	34,997,010	1,124,109
Share based compensation (i)	1,500,000	75,000
<b>Balance, May 31, 2016</b>	<u>36,497,010</u>	<u>1,199,109</u>
<b>Balance, September 1, 2016</b>	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	431,445
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)	2,660,000	590,242
Conversion of options (vii)	500,000	5
Conversion of warrants (viii)	11,754,698	1,770,526
<b>Balance, May 31, 2017</b>	<u>69,927,568</u>	<u>5,284,606</u>

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**10 - EQUITY INSTRUMENTS (continued)**

(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 nine-month period ended May 31, 2017, the Company's expenses included \$45,000 (2016 - \$45,000) and \$165,247 (2016 - \$75,000) respectively for consulting fees and salary. Total common shares issued for the share based compensation was 180,000 for the three month period and 1,460,000 for the nine month period ended May 31, 2017 respectively (2016 - 900,000 for the three month period and 1,500,000 for the nine month period respectively).

On May 31, 2017, the Company granted 1,200,000 common shares to a consultant for services rendered pursuant to an agreement between the Company and the consultant. The consultant's share based compensation was earned for successfully opening the Company's Winnipeg and Saskatoon clinic locations.

(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.

(vii) On March 25, 2017, pursuant to an executive employment agreement with the incoming CEO, the Company granted 500,000 options with an exercise price of \$0.00001. 250,000 of the options vested immediately and 250,000 options vested on May 25, 2017. These options were exercised on March 29 and May 29, 2017 respectively. The options were attributed a fair value of \$124,995 on the grant date based on the Black-Scholes option pricing model and the following variables: fair value of security \$0.25, risk-free interest rate 0.87%, expected life of two years; \$Nil dividends, 70% volatility, and risk-free interest rate of 0.87%.

(viii) On May 12, 2017, all 11,754,698 Special Warrants were exercised for common shares. Per the Special Warrant subscription agreement, each warrant entitled the holder to acquire, without payment of any consideration in addition to that paid for the Special Warrant, one (1) common share in the capital of the Company.

(b) **Warrants**

	<b>Number of warrants</b>	<b>Amounts</b>
<b>Balance, August 31, 2015</b>	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)
<b>Balance, August 31, 2016</b>	<b>8,788,032</b>	<b>1,295,526</b>
Subscription for warrants receipts net of issuance costs (iii)	2,966,666	475,000
Conversion of warrants (iv)	(11,754,698)	(1,770,526)
<b>Balance, May 31, 2017</b>	<b>-</b>	<b>-</b>

(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.

(iv) On May 12, 2017, all 11,754,698 Special Warrants were exercised for common shares. Per the Special Warrant subscription agreement, each warrant entitled the holder to acquire, without payment of any consideration in addition to that paid for the Special Warrant, one (1) common share in the capital of the Company.

**11 - 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 4,725,000 issued during the period ended May 31, 2017 (5,875,000 as at August 31, 2016). The employee compensation expense related to options vested for the period ended May 31, 2017 is \$208,030 (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 May 31, 2017 7,575,000 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 May 31, 2017 and August 31, 2016, and changes during the years ended on those dates, is presented below:

	May 31, 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	-	0.15
Net granted	4,725,000	0.18	5,875,000	0.15
Exercised	(500,000)	-	-	-
Forfeited	-	-	-	-
Cancelled	-	-	(2,525,000)	0.15
Outstanding, end of year	<b>7,575,000</b>	<b>0.18</b>	<b>3,350,000</b>	<b>0.15</b>

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**11 - STOCK OPTION PLAN (continued)**

The following table summarizes information about stock options as at May 31, 2017:

Number outstanding at May 31, 2017	Options outstanding		Options Exercisable
	Exercise prices	Weighted average remaining contractual life (in years)	Number exercisable at May 31, 2017
5,625,000	0.15	2.5	5,625,000
1,950,000	0.25	4.0	
7,575,000	0.18	2.9	5,625,000

The weighted average exercise price was \$0.18 as at May 31, 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 May 31, 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 May 31, 2017 was \$208,030 (August 31, 2016 - \$32,374).

**12 - 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 May 31		Nine months ended May 31	
	2017	2016	2017	2016
Weighted average number of common shares, basic and diluted	58,957,101	35,897,010	52,839,097	35,330,952

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 nine months ended May 31, 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 nine month periods ending May 31, 2017 and May 31, 2016 because they are anti-dilutive are as follows:

	Three months ended May 31		Nine months ended May 31	
	2017	2016	2017	2016
Stock options	7,575,000	-	7,575,000	-
Warrants	150,000	8,454,699	150,000	8,454,699
	7,725,000	8,454,699	7,725,000	8,454,699

**13 - LEASE AND OTHER COMMITMENTS, CONTINGENCIES 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 May 31, 2017, the minimum annual lease payments are expected to be as follows:

2017	78,281
2018	235,530
2019	160,580
2020	79,150
2021	26,046
	<u>579,587</u>

The Company is currently party to a claim, of which the results are neither fixed nor measurable for the three and nine months ended May 31, 2017.

**14 - 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 May 31		Nine months ended May 31	
	2017	2016	2017	2016
Salaries	96,321	50,000	203,167	111,500
Directors' fees	-	16,000	-	16,000
Share-based compensation	207,404	45,000	481,218	75,000
Total Key Management Compensation	303,725	111,000	684,385	202,500

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 \$208,030 of stock options granted to key management personnel for the period ended May 31, 2017 (August 31, 2016 - \$32,374).

**15 - 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.

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**15 - RELATED PARTY TRANSACTIONS (continued)**

On March 1st, 2017, the Company received a loan of \$150,000 from a Company Director. On March 29th, 2017, the Company received an additional loan of \$100,000 from the same Director. Both loans are unsecured and bear interest at 5% per annum. Principal and interest are due no later than September 26, 2017.

Members of the Board of Directors and executive management team of the Company received compensation for consulting services and salaries. For the three and nine-month period ended May 31, 2017, the Company's expenses included \$303,725 (2016 - \$111,000) and \$684,384 (2016 -\$202,500) respectively for consulting fees and salaries.

During the period ended May 31, 2017, rent in the amount of \$27,000 was paid to a shareholder of the Company, and rent in the amount \$30,700 (\$29,995 for the period ended May 31, 2016) was paid to the immediate family of the same shareholder.

**16 - INCOME TAXES**

As at May 31, 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	<u>1,313,869</u>
	<u>1,809,802</u>

**17 - FINANCIAL INSTRUMENTS**

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

		As at May 31, 2017	As at August 31, 2016
Financial assets:			
FVTPL			
	Cash	291,846	58,745
Loans and receivables			
	Trade and other receivables	448,311	178,178
<b>Total financial assets</b>		<b>359,034</b>	<b>236,923</b>
Financial liabilities:			
Financial liabilities at amortized cost			
	Trade and other payables	892,151	206,743
	Convertible debentures	923,714	-
	Note payable	382,500	-
	Due to directors	250,000	383,279
<b>Total financial liabilities</b>		<b>1,066,100</b>	<b>590,022</b>

**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.

**18 - CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to:

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

The Company defines its capital as shareholders' deficiency and amounts due to shareholders.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the period ended May 31, 2017.

#### **19 - SUBSEQUENT EVENTS**

On June 5, 2017 The Company reached an agreement with Alternate Health Corp. (AHI), an international medical cannabis company, to launch AHI's CanaCard Patient Management System in all of the Company's clinics across Canada. This agreement creates a base for further expansion for both the Company and AHI in the Canadian market. The CanaCard Patient Management System is a cloud-based platform that manages the end-to-end transactions involved with providing safe access to medical cannabis for patients across Canada. The database connects patients, certified doctors and Licensed Producers with a complete set of patient management tools and ensures the secure storage of personal data, account balances, transactional volume and research data. AHI will install the system in each of National Access Cannabis' clinics across Canada and any new clinic the Company opens in the future. The Company will pay AHI a fee to setup AHI software for each location. Revenues will be generated for both the Company and AHI from transaction fees charged on sales between patients and Licensed Producers of medical cannabis, compliant with Health Canada's rules and guidelines for medical cannabis in Canada.

On July 5th, 2017, the Company borrowed \$200,000 from an unsecured lender at an interest rate on the principal at 5% per month for a period of up to 75 days. Principal and interest are due no later than September 15th, 2017.

On July 10, 2017, the Company entered into an amalgamation agreement between the Company and Brassneck Capital Corp. and 1119622 B.C. Ltd., a wholly-owned subsidiary of Brassneck Capital Corp. which will result in a reverse takeover of Brassneck by the Company (the "Proposed Transaction") in accordance with the policies of the TSX Venture Exchange. Upon completion of the Proposed Transaction the combined entity (the "Resulting Issuer") will continue to carry on the business of National Access Cannabis Corp.

The Company executed an engagement letter with PI Financial Corp. and Canaccord Genuity Corp, as co-lead agents in connection with a Concurrent Private Placement on March 29, 2017. On July 10, 2017, the Concurrent Private Placement was completed and the Company sold 24,000,000 Subscription Receipts at a price of \$0.25 per Subscription Receipt for gross proceeds to the Company of \$6,000,000. Each Subscription Receipt will be automatically exchanged immediately prior to the completion of the Proposed Transaction for one common share of the Company upon satisfaction of certain escrow release conditions. Each share of the Company will be exchanged for one common share of Brassneck in accordance with the terms of the Proposed Transaction. Under the terms of the Agency Agreement, on the closing of the Proposed Transaction, the Agents will receive a commission of \$240,000 payable in cash. The Agents will also be granted 960,000 warrants by NAC ("Agent's Warrants") to acquire that number of Resulting Issuer common shares exercisable at a price of \$0.25 per Resulting Issuer common share, for a period of 24 months from the closing date of the Concurrent Private Placement.

On July 14, 2017, the Company issued 8,074,800 escrow performance shares held by Owen Bird Law Corporation in escrow and issued to directors, executives, employees, and consultants ("Performance Party") of the Company, to be released to and vest in the Performance Party entitled to receive Performance Shares from time to time upon meeting certain pre-defined events and milestones in the Performance Escrow Agreement specific to each Performance Party.

On August 24, 2017, the Company entered into a Consulting Services Agreement with Paskwayak Business Development Corp. ("PBDC"), a related party and a major shareholder of the Company. The Company will issue to PBDC warrants ("performance warrants") which will allow PBDC to purchase up to 6,000,000 shares of the Company at the discounted market price (as defined in TSX Venture Exchange Policy 1.1) per share, exercisable from the completion of the of the Qualifying Transaction with Brassneck Capital Corp., by the Company, expiring August 1, 2019. PBDC will earn performance warrants if certain milestones are met as defined in the Consulting Services Agreement.

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**NATIONAL ACCESS CANNABIS CORPORATION****Schedule of General and Administrative Expenses**

For the three and nine month periods ended May 31, 2017 and May 31, 2016

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended May 31		Nine months ended May 31	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>General and administrative expenses</b>				
Bad debt	-	-	-	113
Business taxes and licenses	-	-	2,763	-
Computer expenses	7,305	9,631	13,233	15,414
Insurance	2,680	1,694	6,131	4,894
Interest and bank charges	45,234	1,860	99,624	5,282
Laundry and cleaning	249	206	784	1,016
Management fees	41,142	75,349	150,033	137,849
Office supplies	56,053	12,740	141,545	36,845
Professional fees	381,829	92,780	744,897	242,787
Rental	107,611	34,994	287,346	65,489
Repairs and maintenance	-	2,943	220	3,163
Salaries and benefits	925,309	105,203	1,470,754	217,310
Telecommunications	1,941	1,013	7,796	4,765
Travel and entertainment	56,821	12,980	107,869	22,195
Uniforms	-	-	4,817	-
Utilities	6,345	2,632	17,561	4,723
	<b>1,632,519</b>	<b>354,025</b>	<b>3,055,373</b>	<b>761,845</b>