National Access Cannabis Corp.
Management Discussion and Analysis
Year Ended August 31, 2017

The following discussion of National Access Cannabis Corp.'s (the "**Company**") financial condition and results of operations should be read in conjunction with the audited financial statements for the year ended August 31, 2017. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts referred to in this Management Discussion and Analysis ("**MD&A**") are in Canadian dollars. This MD&A, as well as, financial statements and other information, including news releases and other disclosure items of the Company are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's profile. The board of directors of the Company approved the content of this MD&A on December 18, 2017.

Cautionary Note Regarding Forward-Looking Statements

Except for the historical statements contained herein, this MD&A presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, future developments, including the acquisition of additional locations throughout Canada; future financial performance, including the sufficiency of cash on hand, the ability of the Company to generate positive cash flow and the ability of the Company to meet its obligations as they become due, ongoing business strategies, goals, objectives or prospects, including the exploration of other business opportunities in the cannabis industry and the Company's plan to become a model for legalized safe distribution of cannabis and cannabis products throughout Canada, expected operations and possible future action on the Company's part. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans ", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates ", "forecasts ", "intends ", "anticipates" or "does not anticipate", or "believes'; or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties, legislative changes occurring at the Federal, Provincial and Municipal levels, the results of continued development, marketing and sales and such other factors as set forth in "Risk Factors" below, as well as, those factors disclosed in the Company's publicly filed documents. Although management of the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A and the Company does not undertake to update or revise any forward-looking statements to reflect new information or future events or circumstances, unless specifically required by applicable securities legislation.

Overview of Business and Strategy

Overview of the Company

The Company was incorporated under the *Business Corporations Act* (Alberta) as Brassneck Capital Corp. (“**Brassneck**”) on June 18, 2015 and its common shares began trading on the TSX Venture Exchange (“**TSXV**”) on March 15, 2016. The registered and records office of the Company is located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3. The head office of the Company is located at 1111 Wellington Street West, Ottawa, Ontario, K1Y 2Y6. Prior to August 30, 2017, the Company was a Capital Pool Company as defined in the TSXV Policy 2.4. Effective August 30, 2017, Brassneck completed its “Qualifying Transaction” with National Access Cannabis Corp. (pre-Qualifying Transaction, referred to herein as “**NAC**”). The Qualifying Transaction was a reverse takeover of Brassneck by NAC. Following completion of the Qualifying Transaction, control of the Company, as resulting issuer, passed to the former securityholders of NAC and the Company (formerly Brassneck) ceased to be a Capital Pool Company. Effective August 30, 2017, Brassneck changed its name to “National Access Cannabis Corp.” On September 8, 2017, the common shares of the Company, as the resulting issuer, resumed trading on the TSXV under the new trading symbol “NAC”.

Reverse Takeover Transaction

On March 29, 2017, Brassneck entered into a letter of intent with NAC in respect of the proposed Qualifying Transaction. Brassneck and NAC subsequently signed an amalgamation agreement (the “**Amalgamation Agreement**”) on July 10, 2017, pursuant to which NAC acquired Brassneck by way of a reverse takeover business combination

On August 30, 2017, Brassneck completed its Qualifying Transaction by way of a three-cornered amalgamation between Brassneck, 1119622 B.C. Ltd., and NAC pursuant to the Amalgamation Agreement, which resulted in a reverse takeover of Brassneck by NAC (the “**Amalgamation**”). The resulting issuer (i.e. the Company post-Qualifying Transaction), continued to carry on the business of NAC.

Immediately prior to completion of the Amalgamation, Brassneck completed a split of its common shares. Upon completion of the Qualifying Transaction, there were 115,974,063 common shares of the Company outstanding, as well as warrants exercisable to purchase up to 1,440,050 common shares, and stock options exercisable to purchase up to 8,269,004 common shares. Upon closing of the Qualifying Transaction, under the terms of the transaction, former NAC securityholders received approximately 107,612,568 or 92.8% of the outstanding common shares of the Company. Concurrently, with the completion of the Amalgamation, Brassneck changed its name to “National Access Cannabis Corp.” and the board of directors and management of Brassneck were replaced with the directors and management of NAC. Brassneck also adopted NAC’s financial year-end of August 31 as a result of the Qualifying Transaction, which is now the Company’s year-end. The amalgamated entity that continued following completion of the Qualifying Transaction as a wholly owned subsidiary of the Company, continued under the name National Access Clinic Corp.

Substantively, the Qualifying Transaction involved former NAC securityholders obtaining control of Brassneck, which in turn became the Company, as resulting issuer. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations (“**IFRS 3**”) since Brassneck, prior to the acquisition did not constitute a business.

The Qualifying Transaction of Brassneck is accounted for in accordance with IFRS 2 Share-based Payments, whereby NAC is deemed to have issued shares, options, and warrants in exchange for the net assets of Brassneck together with its listing status at the fair value of the consideration received by NAC.

The value in excess of the net identifiable assets or obligations of Brassneck acquired on closing is expensed in the consolidated statement of comprehensive loss as a listing fee expense for the year ended August 31, 2017. The listing fee expense in the amount of $2,427,438 is comprised of the net working capital, the fair value of common shares, options, and warrants of the Company retained by the former securityholders of Brassneck, as well as, other direct expenses of the Qualifying Transaction.

The consolidated financial statements of the combined entities (i.e. Brassneck and NAC) are issued under the Company, (presently National Access Cannabis Corp. and formerly Brassneck), as legal parent, but are considered a continuation of the financial statements of the legal subsidiary, National Access Clinic Corp. Since National Access Clinic Corp. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Private Placement Financings

Prior to the closing of the Amalgamation, NAC completed a convertible note financing on April 11, 2017, for aggregate gross proceeds of $1,000,000 (net $969,900 after finder fees and banking charges) (the "**Convertible Note Financing**"). The convertible notes issued pursuant to the Convertible Note Financing ("**Convertible Notes**") accrued interest at a rate of 10% per year, payable semi-annually, with any accrued interest forgiven upon completion of the Amalgamation. Immediately prior to closing of the Amalgamation, the Convertible Notes were deemed to be exercised into common shares of NAC ("**NAC Shares**") at a price of $0.20 per NAC Share, for a total issuance of 5,000,000 NAC Shares (the "**Date of Conversion**"). The agents involved in the Convertible Note Financing received 150,000 convertible note agent warrants to purchase an equivalent number of NAC Shares, the terms of which provided that the agents may acquire NAC Shares at an exercise price of $0.20 per NAC Share at any time up until April 11, 2019 ("**Convertible Note Agent Warrants**"). Upon closing of the Amalgamation, all of the Convertible Note Agent Warrants were exchanged for warrants of the Company with identical terms.

NAC also completed a brokered private placement on July 10, 2017, pursuant to which 24,000,000 subscription receipts of NAC ("**Subscription Receipts**") were issued for aggregate gross proceeds of $6,000,000 (the "**Subscription Receipt Financing**"). Immediately prior to closing of the Amalgamation, each Subscription Receipt was deemed to be exercised without payment of any additional consideration and without further action on the part of the holders thereof, into one NAC Share. Pursuant to an agency agreement dated July 10, 2017, the agents involved with the Subscription Receipt Financing received a cash commission of $240,000 upon closing of the Amalgamation. The agents were also issued 960,000 warrants to purchase an equivalent number of NAC Shares, the terms of which provided that the agents may acquire NAC Shares at an exercise price of $0.25 per NAC Share, at an exercise price of $0.25 per NAC Share, exercisable until July 10, 2019 ("**Subscription Receipt Agent Warrants**"). Upon closing of the Amalgamation, all Subscription Receipt Agent Warrants were exchanged for warrants of the Company with identical terms to the Subscription Receipt Agent Warrants.

Board of Directors and Management

Following the completion of the Qualifying Transaction, the board of directors of the Company consists of Chuck Rifici (Chairman), Rocco Meliambro, Dr. John Gillis, Jeff Hunt and, Marc Lustig. Management of the Company consists of Mark Goliger as Chief Executive Officer, Michael Best as Chief Financial Officer, Derek Ogden as President and Michael Saliken as Corporate Secretary.

Description of the Business

General

The principal business presently carried on by the Company is the ownership and operation of medical clinics that aim to connect Canadians with the holders of a license ("**Licensed Producers**") issued under section 35 of the *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230 ("**ACMPR**"). Working in consultation with physicians, the Company facilitates safe and informed access to medical cannabis within the laws and guidelines promulgated by Health Canada. The Company provides membership, education and referral services to assist Canadians in navigating an often complex system in order to help them access the medication they need. As well, the Company has initiated plans for additional expansion with strategic partners located in strategic locations throughout Canada.

The Company helps patients find and manage medical cannabis treatment options for their medical conditions by providing information to patients, physicians and the community, and simplifying choice of and communication with Licensed Producers.

The Company currently operates ten locations across Canada in the provinces of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario and Nova Scotia, including four through Wilson Master Apps Inc., d.b.a. CannApply ("**CannApply**"), a wholly owned subsidiary of the Company acquired in December 2016.

Main Components of the Company's Business

The main components of the business of the Company are:

1) Patient and Physician Support

Patients over the age of 20 who are diagnosed with a medical ailment and have tried at least one prior medication or treatment are eligible to discuss their medical condition with the Company caregivers, who educate the patient on cannabis. If the patient is interested in learning more, seeing a doctor or placing a prescription with a Licensed Producer, then the caregiver assists the patient in navigating the different paths. A patient can enter into the Company education process in one of three ways:

(i) Prescription: The patient can provide a prescription form signed by a health care provider;

(ii) Referral Form: A health care provider can provide a referral form for the patient that provides the Company health care provider with an understanding of the patient's condition to help the Company health care provider assess the patient's eligibility for medical cannabis; or

(iii) Release Form: If the patient's health care provider is unwilling to assist the patient with access to medical cannabis for a medical condition, the patient's medical records relevant to the medical condition may be collected from the health care provider's office or through a release form, which includes a treatment history.

2) Physician Consultation and Education

The Company also arranges patient consultations with a knowledgeable physician right from the patient's designated Company location. The physician at the Company location evaluates a patient for prospective prescription of medical cannabis. If the physician determines that medical cannabis is an appropriate medication for the patient, the physician prescribes the medication. This prescription is written by the physician at the Company location. Once prescribed, the Company provides the patient an in-depth education session and directs the patient to Licensed Producers.

3) The Company's Licensed Producer Liaison Service

The Company provides a liaison service with Licensed Producers that assists patients in selecting strains of medical cannabis and transmits the patient's order to a Licensed Producer. The Company helps patients choose different types of cannabis or cannabis oil, and select a Licensed Producer based on the patient's condition and medical needs. The Company evaluates all Licensed Producers in Canada, cataloguing strains and oils, reviewing quality, consistency, reliability, and product availability. All Licensed Producers have met rigorous licensing requirements under the ACMPR. However, available strains and cannabis oil products, product quality and the ability to fulfill orders consistently vary. The Company maintains up-to-date information on all Licensed Producers – information supplemented by feedback from the Company's large membership base. This ensures that the Company's patients receive the cannabis products that the patient has some understanding of with respect to their specific conditions, and from a Licensed Producer who is matched with the patient's needs and expectations.

The liaison system is made possible through the Company's education grant agreements with Licensed Producers across Canada. For each patient referral to the specific Licensed Producers, the Company receives a fee pursuant to the agreement with the applicable Licensed Producer. Grants vary between 15 to 20% of the patient spend at the Licensed Producer depending on the terms negotiated with the Licensed Producer.

Other Business Opportunities

In addition to the Company's current core business operations, the Company is seeking to become a model for legalized safe distribution of cannabis and cannabis products throughout Canada and is prepared to react quickly to legislative changes relating to regulation of cannabis in Canada. If Federal and Provincial legislation allows the sale of cannabis through store front locations, the Company expects to pursue licensing to open medical and recreational store fronts throughout Canada. The Company has established business relationships with strategic partners to pursue this opportunity.

Selected Financial Information

Selected Quarterly Financial Information

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

	Quarter Ended							
	Nov 30, 2015	Feb 28, 2016	May 31, 2016	Aug 31, 2016	Nov 30, 2016	Feb 28, 2017	May 31, 2017	Aug 31, 2017
Revenue	28,224	57,399	99,846	128,345	178,108	249,654	363,581	401,630
Net Loss	(284,895)	(185,449)	(339,850)	(532,447)	(630,572)	(787,088)	(1,615,884)	(4,691,375)
Net Loss Per Share - Basic	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.07)
Net Loss Per Share - Diluted	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.07)

The Company has incurred losses over the last eight quarters and anticipates continued losses as it implements initiatives to continue growing its business. The Company has added an additional eight locations over the past four quarters and now operates in ten locations as at August 31, 2017. Revenue has increased due to an increase in patients as a result of serving more locations across Canada.

The increase in losses has been primarily attributed to continued expansion of the Company's operations over the fiscal year ended August 31, 2017. In addition, significant expenditures were incurred in connection with the Qualifying Transaction and for share-based compensation payments for key management personnel during the fourth quarter ending August 31, 2017.

Selected Annual Information

The following table summarizes key annual financial and operating information over the three most recently completed financial years:

	2017	2016	2015
Total Revenue	1,192,973	313,814	13,702
Net comprehensive loss	(7,724,919)	(1,342,641)	(495,933)
Per share – basic ($/common share)	(0.13)	(0.04)	(0.03)
Per share – diluted ($/common share)	(0.13)	(0.04)	(0.03)
Total Assets	7,670,846	1,675,195	2,009,853
Total Non-Current Financial Liabilities	11,397	15,925	9,625
Distributions or Cash Dividends Declared Per-Share for Each Class of Share	-	-	-

Results of Operations

$	Three Months Ended		Twelve Months Ended	
	31-Aug-17	31-Aug-16	31-Aug-17	31-Aug-16
Total revenue	$ 401,630	$ 128,345	$1,192,973	$313,814
Cost of goods sold	(155,960)	(72,708)	(470,432)	(167,601)
Gross margin	245,670	55,637	722,541	146,213
Office and general administrative expenses	(1,019,687)	(433,281)	(3,426,073)	(1,120,132)
Sales and marketing expenses	(46,177)	(37,890)	(146,374)	(90,689)
Amortization	(75,756)	(39,539)	(341,947)	(125,665)
Share based compensation	(1,253,169)	(77,374)	(1,899,387)	(152,374)
Loss from operations	(2,149,119)	(532,447)	(5,091,240)	(1,342,647)
Listing expenses	(2,427,438)	-	(2,427,438)	-
Interest on short-term debt	(39,809)	-	(131,232)	(6)
Other expenses	(75,009)	-	(75,009)	-
Net comprehensive loss	(4,691,375)	(532,447)	(7,724,919)	(1,342,641)
Loss per share - basic and diluted	(0.07)	(0.02)	(0.13)	(0.04)
Deficit, at end of period	(4,691,375)	(532,447)	(9,563,493)	(1,838,574)

The net comprehensive loss for the three months ended August 31, 2017 was $4,691,375 or $0.07 per share versus a net comprehensive loss of $532,447 or $0.02 per share in the fourth quarter of 2016.

The increase in loss for the quarter was primarily attributable to listing expenses incurred for going public on the TSXV, share-based compensation payments, and expenditures incurred for the continued expansion of the Company’s operations.

The Company had a net comprehensive loss for the twelve months ending August 31, 2017 of $7,724,919 or $0.13 per share, versus the loss during the same period of $1,342,641 or $0.04 per share in 2016. The reason for the higher losses in the twelve-month period is consistent with the reasons for the higher losses in the three-month period above along with the hiring of additional administrative and executive personnel which occurred throughout the fiscal year.

Some of the significant changes are as follows:

- Salaries and benefits during the three and twelve months ended August 31, 2017 were $503,449 and $1,327,985, compared to the three and twelve months ended August 31, 2016 of $134,751 and $352,061. The significant increase from the previous year has been due to the expansion of operations. The Company had 43 full-time equivalent ("**FTE's**") and ten locations in operation versus 16 FTE's as of August 31, 2016 and two locations in operation as of August 31, 2017.

- Share-based compensation (a non-cash expense) amounted to $1,253,169 and $1,899,387 for the three and twelve-months ended August 31, 2017, whereas these expenses were $77,374 and $152,374 for the three and twelve-months ended August 31, 2016. Share-based payments were granted by direct issuance of Company shares or granting of stock options to executives, directors, employees, and consultants for services rendered and contributions to the Company during its developmental and expansion stages.

- Professional fees and Consulting fees during the three and twelve months ended August 31, 2017 were $263,980 and $1,097,531 compared to the three and twelve months ended August 31, 2016 of $57,112 and $224,899. As a result of expansion initiatives and preparation to list on the TSXV, the Company incurred significantly higher legal, audit and consultant fees.

The Company has incurred losses in recent periods and anticipates continued losses as it implements initiatives to continue growing its business. However, the Company is a relatively new organization and has been expanding rapidly. As such, losses incurred to date are primarily due to growing the business and associated infrastructure, and management believes will ultimately serve to benefit the Company and its business going forward.

The Company remains focused on client acquisition and will continue with aggressive expansion efforts in pursuit of this goal. The Company plans to expand its operations to all economically viable locations in Canada. Planned expansion strategies include; developing additional corporate locations, seeking acquisition opportunities and providing additional services and activities surrounding the cannabis industry. The Company is currently planning the development of additional locations with partners in strategic regions and provinces throughout Canada. The Company intends to establish partnerships in areas where local and regional participation will provide mutually advantageous benefits that the Company would have difficulty achieving on its own. The Company will continue to explore partnerships that improve its brand and profitability. Future activities will require funding through additional equity financings, loans, or through the development of business partnerships.

Continued expansion has continued into fiscal year 2017, including the opening of four additional locations. In October 2016, the Company established a location in Toronto, and in November 2016 opened its first location in the Maritimes: Halifax, Nova Scotia. Furthermore, NAC opened a location in Saskatoon, Saskatchewan in January 2017, and a location in Winnipeg, Manitoba in March 2017.

Revenue

Revenue for the three months ended August 31, 2017 was $401,630 versus $128,345 in the same period in the prior year. Revenues for twelve months ended August 31, 2017 were $1,192,973 versus $313,814 for the twelve months ended August 31, 2016. Revenue growth is attributable to newly opened locations in fiscal year 2017, increased commissions from Licensed Producers and the CannApply acquisition on December 23, 2016. Total membership has increased from 1,404 at August 31, 2016 to 8,752 at August 31, 2017. Revenues are expected to continue to increase as the Company acquires new patients at each of its ten active locations and continues to explore other business opportunities moving forward.

Gross Profit

Gross Profit for the three months ended August 31, 2017 was $245,670 versus $55,637 in the same period in the prior year. Gross Profit for twelve months ended August 31, 2017 was $722,541 versus $146,213 for the twelve months ended August 31, 2016. The Gross Profit Margin has increased from 47% in 2016 to 61% for the twelve months ended August 31, 2017. The increase is primarily attributed to the increase in commissions revenue from Licensed Producers in 2017 which have no direct costs associated with this income source.

Financing Activities

For the twelve months ended August 31, 2017, the Company generated $8,084,468 from financing activities versus $1,125,681 for the twelve months ending August 31, 2016. This includes net equity raised through the issuance of share capital and special warrants of $1,155,475.

On November 29, 2016, NAC borrowed $300,000 from an unsecured lender at an interest rate on the principal amount at 5% per month for five months, and at an interest rate of 2.5% per month thereafter. The lender agreed to receive payment of the interest in the equivalent amount of NAC Shares for interest earned up to June 29, 2017. On June 29, 2017, $90,000 of interest was paid to the lender in NAC Shares based on a NAC Share market price of $0.25 per share. The principal of $300,000 and balance of interest of $15,000 owing to the lender was subsequently paid on September 5, 2017.

On April 11, 2017, NAC completed the Convertible Note Financing. The Convertible Notes had a book value of $995,587 ($1,000,000 face value) and contributed surplus (equity component) of $46,186. Up to and including the Date of Conversion, the accreted interest on the Convertible Notes was $71,873 and recorded as accretion expense on the statement of comprehensive loss. Therefore, on August 30, 2017, the conversion of the Convertible Notes and the corresponding conversion liability resulted in an increase to share capital of $1,041,773 for the 5,000,000 NAC Shares issued. For their services, the agents involved with the transaction received 150,000 Convertible Note Agent Warrants. The Convertible Note Agent Warrants issued were revalued on August 31, 2017 at $17,055 using the Black-Scholes option pricing model.

On July 10, 2017, NAC completed the Subscription Receipt Financing. Immediately prior to the closing of the Amalgamation, each Subscription Receipt was deemed to be exercised without payment of any additional consideration and without further action on the part of the holders thereof, into one NAC Share. Pursuant to an agency agreement dated July 10, 2017, the agents involved with the Subscription Receipt Financing received a cash commission of $240,000 upon closing of the Amalgamation and were also issued 960,000 Subscription Receipt Agent Warrants. The Subscription Receipt Agent Warrants were valued at $93,786 using the Black-Scholes option pricing model.

Investing Activities

For the twelve months ended August 31, 2017, the Company allocated $597,744 in cash to investing activities versus $371,809 for the twelve months ended August 31, 2016. Investment expenditures in the period were primarily for the purchase of CannApply, leasehold improvements, as well as furniture and equipment required for the new corporate locations which commenced operations in fiscal year 2017.

Expenses

Advertising and Marketing

In the twelve-month period ending August 31, 2017, advertising and marketing expenses were $146,374 versus $90,689 in the twelve months ended August 31, 2016. The increase in costs are primarily due to the hiring of the branding company One Method to help the Company develop various branding and marketing strategies. Printing of marketing and educational materials, attendance of tradeshows and advertising costs also contributed to increases in advertising and marketing expenses.

Office, General and Administrative Expenses

	Three Months Ended				Twelve Months Ended			
$	**31-Aug-17**	**%**	**31-Aug-16**	**%**	**31-Aug-17**	**%**	**31-Aug-16**	**%**
Professional fees	54,859	5%	20,409	5%	507,103	15%	162,123	14%
Consulting fees	209,121	21%	36,703	8%	590,428	17%	62,776	6%
Management fees	6,865	1%	75,412	17%	156,898	5%	213,261	19%
Salaries & benefits	503,449	49%	134,751	31%	1,327,985	39%	352,061	31%
Travel	64,954	6%	10,750	2%	172,823	5%	32,945	3%
Rent & utilities	114,864	11%	75,316	17%	419,991	12%	148,691	13%
Office expenses	46,452	5%	70,015	16%	196,577	6%	112,641	10%
Interest & bank charges	12,436	1%	2,372	1%	20,637	1%	7,651	1%
Other	6,687	1%	7,553	2%	33,631	1%	27,983	2%
Total	$1,019,687	100%	$ 433,281	100%	$ 3,426,073	100%	$1,120,132	100%

In the fourth quarter ended August 31, 2017, the Company incurred expenses of $1,019,687 versus $433,281 in the fourth quarter ended August 31, 2016.

In the twelve-month period ended August 31, 2017, the Company incurred expenses of $3,426,073 versus $1,120,132 in the twelve months ending August 31, 2016.

The increase from comparable periods is due to the continued growth in corporate locations, hiring of additional managerial and administrative staff, development of stated business objectives, and costs associated with the preparation for the Qualifying Transaction between Brassneck and NAC. The Company anticipates that expenses will continue to increase as operations expand to new locations and as the

Company acquires and integrates compatible businesses and technologies, while continuing to explore other business opportunities moving forward.

Legal and professional fees during the three and twelve months ended August 31, 2017 were $54,859 and $507,103 compared to the three and twelve months ended August 31, 2016 of $20,409 and $162,123. These fees were incurred due to legal and audit work required for the Qualifying Transaction, general corporate matters, government, and investor relations.

Consulting fees during the three and twelve months ended August 31, 2017 were $209,121 and $590,428 compared to the three and twelve months ended August 31, 2016 of $36,703 and $62,776. These fees were incurred due to patient acquisition costs, recruitment fees for the CEO, lobbying efforts at the Federal, Provincial, and Municipal levels. as well as other costs associated with the expansion of new corporate locations

During the three and twelve months ended August 31, 2017, the Company incurred expenses of $6,865 and $156,898 compared to the three and twelve months ended August 31, 2016 of $75,412 and $213,261 for management fees provided to the Company's Chief Executive Officer, President, and other individuals providing various management services.

Salaries and benefits during the three and twelve months ended August 31, 2017 were $503,449 and $1,327,985, compared to the three and twelve months ended August 31, 2016 of $134,751 and $352,061. The notable increase is due to hiring of staff to support the Company's expanding network of locations and additions to the executive management team. The Company employed 43 FTEs as of August 31, 2017 versus 16 FTEs as of August 31, 2016.

Travel expenses during the three and twelve months ended August 31, 2017 were $64,954 and $172,823 compared to the three and twelve months ended August 31, 2016 of $10,750 and $32,945. Travel expenses increased as management travelled to new Company locations to oversee construction and hire staff. Travel expenses also grew as management continued to seek potential business acquisitions and expansion opportunities.

Rent and utilities during the three and twelve months ended August 31, 2017 were $114,864 and $419,991 compared to the three and twelve months ended August 31, 2016 of $75,316 and $148,691. Lease payments have increased due to the addition of eight new locations over the past year.

Office expenses during the three and twelve months ended August 31, 2017 were $46,452 and $196,577 compared to the three and twelve months ended August 31, 2016 of $70,105 and $112,641. The Toronto, Halifax, Saskatoon, Winnipeg and Calgary locations began incurring office expenses in fiscal 2017. Additional office expense outlays were required to prepare for location openings and provide for ongoing operations at the new locations throughout the year.

Interest and bank charges during the three and twelve months ended August 31, 2017 were $12,436 and $20,637 compared to the three and twelve months ended August 31, 2016 of $2,372 and $7,651.

Listing Expenses

On August 30, 2017, the Company completed its Qualifying Transaction by way of the Amalgamation, which resulted in a reverse takeover of the Company by NAC. The transaction was a reverse takeover of the Company by NAC and has been accounted for under IFRS 2, Share-based payment. The value in excess of the net identifiable assets or obligations of the Company acquired on closing is expensed in the consolidated statement of comprehensive loss as a listing fee expense for the year ended August 31, 2017.

The listing fee expense in the amount of $2,427,438 is comprised of the net working capital, the fair value of common shares and options of the Company retained by the former securityholders of Brassneck as well as other direct expenses of the Qualifying Transaction. The options and warrants were attributed a fair value of $196,534 using the Black-Scholes option pricing model.

Share-Based Compensation Expenses

During the twelve months ended August 31, 2017, the Company recognized $1,899,387 compared to $152,374 for the twelve months ended August 31, 2016 in share-based compensation.

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

A total of 10,985,000 NAC Shares were issued directly to executives, consultants, directors, and employees during the twelve months ended August 31, 2017. Total expenses recognized for the issuance of the NAC Shares was $1,662,142. For the twelve months ended August 31, 2016, 2,400,000 NAC Shares were issued and an expense for the issuance of the shares was $120,000.

8,074,800 of the share-based compensation shares were NAC Shares issued to and held by certain consultants and employees of NAC pursuant to various consulting and employment agreements ("**Performance Shares**"), to be released to the respective parties following his or her accomplishment of pre-defined performance events and milestones. The Performance Shares were issued for a deemed value of $0.125 per Performance Share and placed into the performance escrow pursuant to certain escrow agreements. Any Performance Shares that are not earned out of the performance escrow by the time set out in the applicable escrow agreements will be returned to treasury for cancellation.

Expenses related to options issued during the twelve months ended August 31, 2017 was $237,245 compared to $32,374 during the comparable periods in fiscal year 2016. The number of options outstanding at August 31, 2017 amounts to 8,269,004 at a weighted average exercise price of $0.17. The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan.

The Company granted the Chief Executive Officer an aggregate of 500,000 options at an exercise price of $0.00001 in connection with his appointment on March 25, 2017. These options were exercised on March 29 and May 29, 2017 respectively. An expense of $124,995 accrued in contributed surplus and was transferred to share capital upon issuance of the shares. Share-based compensation for the issuance of options are valued using the Black-Scholes valuation model and represents a non-cash expense.

Interest on Short Term Debt

In the twelve-month period ending August 31, 2017, interest on short-term debt amounted to $131,232 versus $6 in the twelve months ended August 31, 2016. The increase in interest is primarily due to $105,500 interest accrued on an outstanding $300,000 note payable. At June 29, 2017, $90,000 of interest was paid to the lender in NAC Shares. The principal of $300,000 and balance of interest of $15,000 owing to the lender was subsequently paid to the lender in cash on September 5, 2017. Additional interest was incurred on loans to an unsecured lender and a Director of the Company amounting to $18,709 and $5,809 respectively during the year.

Adjusted EBITDA

$	**Twelve Months Ended**	
	31-Aug-17	**31-Aug-16**
Net loss and comprehensive loss for the year/period	(7,724,919)	(1,342,641)
Interest on short-term debt	131,232	6
Amortization of property and equipment	318,588	69,787
Amortization of intangible assets	23,359	55,878
Listing expense	2,427,438	-
Accretion expense	71,873	-
Share based compensation	1,899,387	152,374
Adjusted EBITDA	(2,853,042)	(1,064,596)

Adjusted EBITDA is a financial metric used by management of the Company in assessing the Company's operational performance on a cash basis before the impact of non-cash items and acquisition related activities. Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning under the issuer's GAAP and therefore may not be comparable to similar measures presented by other issuers.

Balance Sheet

$	**As at**	
	31-Aug-17	**31-Aug-16**
Total assets	7,670,846	1,675,195
Total liabilities	1,346,315	651,760
Share capital	15,311,030	1,534,109
Warrants	160,937	1,295,526
Contributed surplus	416,057	32,374
Deficit, at end of period	(9,563,493)	(1,838,574)

Total Assets

Total assets of the Company were $7,670,846 on August 31, 2017 versus $1,676,195 on August 31, 2016. The increase in total assets is primarily due to the increase in cash, account receivables, property and equipment and goodwill. Cash has increased primarily due to financing activities relating to the Subscription Receipt Financing and Convertible Note Financing during the year. The addition of new locations in Halifax, Toronto, Winnipeg, and Saskatoon, the repurchase of the Victoria location, and the acquisition of CannApply operations in Calgary were the primary contributors to the increase in non-current assets.

Total Liabilities

Total liabilities increased to $1,346,315 at August 31, 2017 versus $651,760 on August 31, 2016 due to increases in accounts payable and notes payable.

Accounts payable increased to $978,996 at August 31, 2017 versus $206,743 on August 31, 2016. The increases are primarily due to higher salaries and benefits payable along with outstanding payables for consulting, legal, and audit fees incurred for services related to the Qualifying Transaction and preparation to list on the TSXV. Additional payables of $150,000 and $50,000 are due to the former owners of CannApply and the former owner of the Victoria location respectively, with the Company completing the Qualifying Transaction.

On November 29, 2016, NAC borrowed $300,000 from an unsecured lender at an interest rate on the principal at 5% per month for five months, and at an interest rate of 2.5% per month thereafter. The lender has agreed to receive payment of the interest in the equivalent amount of NAC Shares for interest earned up to June 29, 2017. At June 29, 2017, $90,000 of interest was paid to the lender in NAC Shares based on a NAC Share market price of $0.25 per share. The principal of $300,000 and balance of interest of $15,000 owing to the lender was subsequently paid in cash on September 5, 2017.

Total Share Capital

The authorized capital stock of the Company consists of an unlimited number of common shares. Below are the number of issued and outstanding common shares, warrant and options at August 31, 2017 and August 31, 2016.

	As at	
	31-Aug-17	**31-Aug-16**
Common shares	115,974,163	41,697,010
Warrants	1,440,050	8,788,032
Options	8,269,004	3,350,000

Liquidity and Capital Resources

The financial statements are prepared by management in accordance with IFRS on a going concern basis, which assumes that the Company will be able to continue to operate for the foreseeable future. However, the reader is advised to carefully read the following section regarding working capital as well as the section referring to risks related to our business, with an emphasis on the section dealing with additional financing.

The reader is also advised to review the discussions of credit risk and liquidity risk (Note 18) of the accompanying financial statements.

The Company has incurred losses since incorporation and as at August 31, 2017 and had an accumulated deficit of $9,563,493 (August 31, 2016: $1,838,574). The Company has a commitment for capital expenditures totaling $199,248. The Company signed a stipulated price contract for tenant improvements at a new clinic located on Whyte Avenue in Edmonton set to open in January 2018, through a partnership in which the company has an indirect 51% interest (see "Subsequent Events" below). Current capital reserves will fund this capital expenditure commitment.

The Company is in the development stage of expanding by opening and acquiring locations throughout Canada while continuing to explore other business opportunities within the cannabis industry. The Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. Several alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital.

The Company has sufficient cash on hand to continue day to day operations up to the third quarter of fiscal year 2018. The Company also expects to have a working capital deficiency then, but plans to generate sufficient amounts of cash and cash equivalents in the short and long term to maintain the Company's capacity and meet obligations as they become due, by reviewing all options including partnership agreements, debt, and equity financing. The Company expects to select whichever funding options are available and are in the best interest of the shareholders.

In the longer term, the Company's ability to maintain capacity and continue as a going concern is dependent upon its ability to raise additional capital and generate positive cash flow and net income. There can be no assurance that equity financings will be available to the Company in the future on terms satisfactory to the Company. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions and its ability to expand operations within the cannabis industry in Canada.

Working Capital

The Company had a working capital surplus of $4,002,005 on August 31, 2017 versus a deficiency of $356,627 as at August 31, 2016. Expenditures incurred for the rapid expansion of the Company over the last twelve months and costs associated with the Qualifying Transaction have been offset by cash inflows from financing activities throughout the year.

Current assets increased to $5,336,923 at August 31, 2017 from $279,208 at August 31, 2016 primarily as a result of an increase in cash and receivables.

Current liabilities increased to $1,334,918 at August 31, 2017 from $635,835 at August 31, 2016. The significant increase in current liabilities is primarily due to; an increase in the amounts of accounts payables ($978,996 versus $206,743 in 2106) and an increase in notes payable ($315,000 versus nil in 2016).

Cash Used in Operations

$	31-Aug-17	31-Aug-16
Net loss for period	(7,724,919)	(1,342,641)
Add charges to operations not requiring current cash payment	4,528,364	154,737
Changes in non-cash working capital balances related to operations	522,876	55,051
Cash used in operating activities	(2,673,679)	(1,132,853)

As the above demonstrates, charges to operations not requiring current cash payment increased due to Qualifying Transaction non-cash listing expenses ($2,126,549 versus $NIL 2016), share based compensation for the fair value of options granted ($1,899,387 versus $32,374 2016), and depreciation and amortization ($318,588 versus $69,787 2016).

Changes in non-cash working capital balances related to operations were $522,876 for the twelve months ended August 31, 2017, compared to $55,051 for the twelve months ended August 31, 2016, primarily due to the change in accounts receivable and accounts payable.

Cash used in operating activities amounted to $2,673,679 for twelve months ended August 31, 2017 compared to $1,132,853 for the same period in fiscal 2016.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as of the date of this MD&A.

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 common 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, $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.

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. The seller was paid an additional amount of $50,000 upon the Company achieving its public listing status.

On March 1, 2017, the Company received a loan of $150,000 from a director of the Company. On March 29, 2017, the Company received an additional loan of $100,000 from the same director. Both loans were unsecured and bear interest at 5% per annum. All outstanding principal and interest owed to the director was paid on August 31, 2017.

Members of the board of directors and executive management team of the Company received compensation for consulting services and salaries. For the year ended August 31, 2017, the Company's expenses included $1,262,326 (2016 - $324,707) for consulting fees and salaries.

During the year ended August 31, 2017, rent in the amount of $36,000 (2016 - $15,000) was paid to a shareholder of the Company, and rent in the amount $40,900 (2016 - $39,900) was paid to the immediate family of the same shareholder.

Financial Instruments

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

Critical Accounting Estimates

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.

Significant estimates about the future and other sources of estimation uncertainty that management has made at the financial reporting date relate to the useful lives of property, plant and equipment and intangible assets, and the inputs used in accounting for share-based compensation. Actual results could differ from these estimates.

Changes in Accounting Policies and Estimates

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.

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.

Subsequent Events

In November 2017, National Access Cannabis LP Holdings Corp., a wholly-owned subsidiary of the Company, entered into a limited partnership agreement with NAC Alberta Inc. The Company, through its affiliates, holds 51% of the outstanding units of that partnership. The business of the partnership is to open, own and operate medical clinics that aim to connect Canadians with Licensed Producers and, when legally permissible to do so, retail locations to sell and distribute cannabis and cannabis related products. It is expected that the partnership will initially operate at Whyte Avenue in Edmonton, Alberta, where the Company has entered into a lease agreement.

Subsequent to the end of the year, shareholders of the Company exercised 793,490 warrants and 316,892 options through a number of individual transactions. The Company received $192,404 in cash.

Subsequent to the end of the year, the Company granted 590,000 stock options to non-executive employees and consultants of the Company. 490,000 of the options were issued at $0.25 and 110,000 were issued at $0.16. All options vested immediately and expire on October 6, 2022.

On December 6, 2017, the Company expanded into Australia through a licensing agreement with The Hydroponics Company (THC.AX) (“**THC**”). The Company deferred its $500,000 licensing fee until THC reaches $1,000,000 in revenue or the two-year anniversary, whichever comes first. The licensing agreement sees the Company earning a royalty of 7.5% of gross revenue.

Risk Factors

The Company is exposed to numerous risks and uncertainties as described below. These risks and uncertainties, together with all the other information in this MD&A, and the accompanying financial statements, should be carefully considered. The risks and uncertainties described below are not the only risks the Company could face, but could materially and adversely affect business, financial condition, results of operations and future prospects of the Company. Additional risks and uncertainties that the

Company’s management is unaware of, or that management currently view as not material, may also become important factors that could adversely affect the Company’s business.

The Company operates in a new and highly competitive industry that faces significant regulation. The cannabis industry in Canada is very competitive and developing rapidly. As new risks emerge, management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

The Company’s ability to grow a corporate model of clinics and retail outlets, and its ability to retail medical cannabis in Canada will depend on the Company being granted distribution and operating licenses from Federal, Provincial, and Municipal levels of government in Canada. Inability to obtain licenses or failure to comply with the requirements of licenses or to maintain a license would have a material adverse impact on the business, financial condition, and operating results of the Company. The cannabis industry is subject to extensive controls, compliances and regulations that could significantly affect the financial condition of market participants. Many factors that are beyond the Company’s control and which cannot be predicted, such as changes to government regulations, legislation, enactments, and bylaws could reduce the Company’s earnings and could make future capital investments or the Company’s operations uneconomic.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business distributing cannabis as a regulated medical and consumer product, the Company will need to build brand awareness in the new industry and market through significant investments in its strategy, quality assurance, and compliance with regulations. These activities may not promote the Company’s brand and products as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements, and unique circumstances.

The ability to execute the business objectives stated in this MD&A is contingent, in part, upon compliance with regulatory requirements enacted by said governmental authorities, as well as obtaining all regulatory approvals for the sale of cannabis-based products and applicable patient services. Any delay in obtaining, or failure to obtain regulatory approvals would significantly delay the development of corporate objectives, which could have a material adverse effect on the Company`s business and financial condition.

Liquidity

The Company requires a ready source of cash to meet its operating expenses, fund research and development and expand its business. As at the date of this MD&A the company had negative working capital and lacked sufficient cash to fund ongoing operations. The Company has also entered into future commitments that require funding on top of operating expenses. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. Management and the board of directors of the Company are actively involved in the review, planning and approval of significant expenditures and commitments.

Financing Risks

The Company has incurred significant losses and has not been able to generate profits or positive cash flow. There are no assurances that the Company will earn profits or generate positive cash flow in the future. Without sustainable positive cash flow and profits, there can be no assurances that the Company will be able to continue as a going concern and remain in business. The only present source of funds available to the Company is through the sale of its equity shares and operational revenues. Even if the net revenues of the business are encouraging, the Company may not have sufficient funds for future expansion of the business that may be necessary to remain competitive in the market. The Company anticipates requiring additional financing to fund operations and remain a going concern. While the Company may generate additional working capital through further equity offerings or through operational revenues, there can be no assurance that such financing will be available on terms reasonable to the Company, or at all. If available, future equity financing may result in substantial dilution to shareholders. The assumption of debt, if available, involves additional risk to the Company and its equity. If additional financing is not available, the Company may be required to curtail its activities and may not be able to continue in business. At present it is impossible to determine what amounts of additional funds, if any, may be required.

Management

The success of the Company is currently largely dependent on the performance of its executive management team. The loss of the services of these persons will have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its management or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company, its business, and its prospects.

Client Acquisition and Retention

The Company anticipates continued client acquisition growth at current and future corporate locations. If securing such clients is not possible, the Company, its business, operating results, and financial condition could be materially and adversely affected.

Plans for Growth

The Company plans to grow rapidly and significantly expand its operation. Future growth will place additional demands on the Company's financial, managerial, and operations resources. If growth is not managed effectively it could have a material adverse effect on the Company's financial condition and results of operations. The Company may be required to manage multiple relationships with various strategic partners, users, advertisers, and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third party relationships the Company has, as its systems, procedures, or controls may not be adequate to support increased operations. The current lack of financial resources could put a strain on management systems and internal controls. In the event that the Company does obtain additional financing, and if the recent growth in revenue continues, additional personnel and other resources may be required that could put further strain on such management and control. There can be no assurances that the Company will be able to effectively deal with such growth. A failure of management systems or internal controls could have a material adverse effect the Company, its business, operating results, and financial condition.

Global Economic, Political, and Social Conditions

The Company is subject to global economic, political and social conditions that may cause patients to delay or reduce medical treatments due to economic downturns, unemployment, and volatility in the costs of energy and other consumer goods, geopolitical uncertainties, and other macroeconomic factors affecting spending behavior.

The Company faces risks that may arise from financial difficulties experienced by suppliers or customers/clients, including:

- The risk that customers/clients may face financial difficulties or may become insolvent, which could lead to an inability to obtain payment of accounts receivable that those patients may owe;

- The risk that key suppliers of medical marijuana may face financial difficulties or may become insolvent, which could lead to disruption of the supply cannabis products; and

- The inability of customers/clients and/or suppliers to obtain credit financing to finance purchases of products and raw materials used to grow or build those products.

Should any of these risks occur, they could have a material adverse effect on the Company and its prospects.

Development Risks

Future development of the Company's business may not yield expected returns and may strain management resources. Development of the Company's revenue streams is subject to a number of risks, including construction delays, cost overruns, financing risks, cancellation of key service contracts and changes in government regulations. Overall costs may significantly exceed the costs that were estimated when the project was originally undertaken, which could result in reduced returns, or even losses, from such investments.

Uninsurable Risks

The Company carries comprehensive general liability, fire, and flood insurance with policy specifications, limits, and deductibles for its locations. It is possible that, in the future, the Company will not be able to obtain insurance for these types of risks at reasonably economic rates, or at all. In the course of developing the Company's business, certain risks, and in particular, medical malpractice or product liability suits, may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against some or all of such risks as a result of high premiums or other reasons. Even a partially uninsured claim of significant size, if successful, could materially adversely affect the Company's business, financial condition, results of operations and liquidity, and result in increasing costs and a decline in the value of the securities of the Company. However, even if the Company successfully defends against any such claim, it could be forced to spend a substantial amount of money in litigation expenses, management could be required to spend valuable time in the defense against these claims, and the Company's reputation could suffer, any of which could adversely affect results of its operations.

The Company also carries primary directors and officers liability insurance.

The Company does not maintain key person insurance on any of its officers and as a result, the Company would bear the full loss and expense of hiring and replacing any officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by the Company from such loss of any officer.

Government Regulations, Permits and Licenses

The Company's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all governmental laws and regulations. There can be no assurance, however, that all permits which the Company may require for its operations and activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on the Company's business.

The current or future operations of the Company are and will be governed by laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

It is anticipated that the government of Canada will legalize recreational marijuana in 2018 and there can be no assurance that such laws and regulations would not have an adverse effect on the Company's business. It is expected that pending legislation relating to recreational marijuana will include introducing regulation governing taxation, sales and distribution of the product on a large scale and will significantly alter availability and demand for recreational marijuana. There can be no assurances that availability of recreational marijuana will not reduce the demand for medical marijuana, that recreational distributors may also become distributors of medical marijuana, or that the significant industry effect of new corporate entrants into the marijuana industry (some of which could have significantly more capital, distribution and marketing resources than the Company), may have an adverse effect of the Company's business.

Complications with Research Data

The research data collected by the Company will be an integral part of its business for the production of research based reports. If there are issues with the data's integrity or security, the data and research based reports could be considered ineffective or unreliable.

Operating History

NAC was founded in November, 2014. Since November, 2014, NAC, and now the Company following completion of the Qualifying Transaction (the Company having carried on the business of NAC post-Qualifying Transaction) has been focused on developing a network of medical cannabis caregiver clinics throughout Canada. Strategic plans include the development of a distribution and retail model of cannabis working within regulations at the Federal, Provincial, and Municipal levels. There is only a limited operating history upon which to base an evaluation of the Company, its business, and prospects. Given the limited history of revenue and the absence of regular cash flow or profit, the Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by early stage businesses in new and rapidly evolving markets. There is no assurance that the Company can generate sufficient revenues to operate profitably or provide a return on investment or that it will successfully implement its business plan. There can be no assurance that the Company will be successful.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance and insurance), inability to obtain permits required to conduct the Company's business, changes in health care laws and governmental regulations and various other factors may significantly impact the ability of the Company to generate revenues. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs, and related charges must be made to operate its locations, regardless of whether the Company is generating revenue.

Competition

The medicinal marijuana industry is intensely competitive and the Company competes with other companies that may have greater financial resources and technical facilities. Numerous other businesses are likely to compete in the clinic space and provide additional patient servicing in seeking patients that purchase medicinal marijuana. It is possible that other third parties could also establish their own medical clinics that are similar to the Company's.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Dividends

The Company has not paid dividends on its shares since incorporation and does not anticipate paying any dividends on its common shares in the foreseeable future.

Litigation

CannApply 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 that the Company was using the trademark without authorization. This lawsuit has been dormant for approximately a year, other than a Consent Order from the Court of Queen's Bench of Alberta on June 6, 2017, awarding costs of $1,000 to the Company and removing an injunction that prevented the Company from using the disputed trademark. While the Company believes this is a very positive step, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result.

Management is not aware of any other current or pending litigation against the Company outside of the Medi-Venture litigation. Disputes that cannot be resolved may result in future litigation and such litigation may have a material adverse effect on the Company, its business, operating results, and financial condition.