National Access Cannabis Corp.
Management Discussion and Analysis
Year Ended August 31, 2018

The following discussion of National Access Cannabis Corp.'s (the "**Company**" or "**NAC**") financial condition and results of operations should be read in conjunction with the audited financial statements for the year ended August 31, 2018. 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, the Company's Annual Information Form 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.

This MD&A is prepared as of December 21, 2018.

Cautionary Note Regarding Forward-Looking Statements

Except for the historical statements contained herein, this MD&A presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, future developments, including the acquisition of additional 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 15, 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 Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4. 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 "**Old NAC**"). The Qualifying Transaction was a reverse takeover of Brassneck by Old NAC. Following completion of the Qualifying Transaction, control of the Company, as resulting issuer, passed to the former securityholders of Old 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 (the "**Common Shares**"), as the resulting issuer, resumed trading on the TSXV under the new trading symbol "NAC". Effective May 17, 2018, the Company's trading symbol on the TSXV changed from "NAC" to "META".

The consolidated financial statements of the combined entities (i.e. Brassneck and Old 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, Old NAC. Since Old NAC 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.

Description of Business

Retail Cannabis Stores

The Company currently operates 20 cannabis retail locations in Alberta and Manitoba and is constructing additional retail locations to sell and distribute cannabis and cannabis related products under its recreational cannabis brands META and NewLeaf Cannabis Corp. in select provinces. The Company expects its network of recreational cannabis stores to initially grow across the Western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba, before expanding to include Ontario once legally permissible. Currently, the provinces of British Columbia, Alberta, Saskatchewan and Manitoba are permitting privately run cannabis retail locations to operate within their respective provinces. It is expected that Ontario will permit private retail locations to operate within the province beginning in April 2019. The Company will continue to explore acquisition and partnership opportunities that enhance its brand and profitability.

Alberta

Alberta regulations do not include a maximum number of cannabis retail licenses, however, the province limits any one individual licensee to a 15% market share in the Province of Alberta (e.g. if 250 licenses are granted, one entity could own a maximum of 37 licenses). Additionally, the Province of Alberta will be the only operator of an ecommerce platform for online purchases. NAC expects the Alberta cannabis retail market to be extremely competitive, forcing retail operators to compete on pricing, branding and innovative concepts to attract consumers. The Alberta provincial government has provided guidance that the maximum number of licenses available to a licensee will be reviewed in July of 2019.

In Alberta as at the date of this MD&A, the Company has submitted to the AGLC 35 retail cannabis store license applications with two additional applications to follow. To date, 20 of the retail cannabis store license applications submitted to the AGLC, have received AGLC approval. As at the date hereof, the Company has received approval for 31 municipal development permits throughout the Province of Alberta. Several other development permit applications are still under review by various municipalities. The Company intends to own and operate the maximum number of retail cannabis stores that an entity is legally allowed by the Province of Alberta. As of the date hereof, the Company has opened and is operating 14 retail cannabis stores in the Province of Alberta.

Three of the 37 locations that the Company is targeting in Alberta are Second Cup locations. On April 12, 2018, NAC and Second Cup established a strategic alliance to develop and operate a network of NAC branded cannabis retail stores, initially across Western Canada, expanding to include additional provinces where legally permissible. At certain locations NAC will apply for licenses to retail cannabis products and upon receipt, work with Second Cup and applicable franchisees to leverage Second Cup's extensive Canadian retail footprint to construct cannabis retail stores. Conversion of any Second Cup to a NAC-branded retail cannabis store will be conditional on obtaining a retail license from provincial regulators and the approval of Second Cup and the applicable franchisees and landlords.

Currently in Alberta, NAC has applied for 25 licenses under The Green Company Ltd. ("**NewLeaf**"), a company that NAC acquired on September 10, 2018 and 10 licenses under META, NAC's internally generated brand.

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licenses until further notice. Accordingly, there is no assurance that all of the Company's retail cannabis store license applications which have not already received approval by the AGLC, will be approved. A total of 65 licenses were issued prior to the moratorium with the Company holding 14 of the 65 licenses issued under the NewLeaf brand.

Saskatchewan

On March 14, 2018 the Government of Saskatchewan released its framework for cannabis legalization, provided details regarding its plan for the distribution, sale and use of cannabis in Saskatchewan and began the lottery-based selection process for 51 retail cannabis permits. Private retailers awarded operating permits in the province have the ability to sell cannabis products on-line throughout Saskatchewan. The Saskatchewan provincial government has indicated that they intend to operate with this market structure for three years before review.

The Company is currently exploring acquisition and partnership opportunities in the Province of Saskatchewan.

Manitoba

Manitoba has granted four (4) master licenses to operate a varying number of cannabis retail locations in the Province of Manitoba. More recently, Manitoba has opened a Phase II request for proposal process, to provide for more market entrants into communities which are underserved.

In Manitoba, the Company was chosen as one of four recipients of licenses to operate privately owned retail cannabis stores in the Province of Manitoba, conditional upon several factors, including completing necessary agreements and providing the required documentation as outlined in the Province of Manitoba's November, 2017 Request for Proposals. Under the terms of the retail organization agreement with the

Manitoba Provincial Government, NAC will be permitted to build, develop and operate retail cannabis stores in approved municipalities in the Province of Manitoba.

During the Province of Manitoba's first phase of retail cannabis implementation, the Company intends to open 10 recreational stores in various Manitoba municipalities and an additional four stores on First Nations lands for a provincial total of 14 META branded stores. Eight of these stores are expected to launch by the end of 2018, with six already open as at the date of this MD&A. It is anticipated that the remaining six stores will open in early 2019.

The four First Nation's stores are located on First Nation lands as part of limited partnerships entered into with the First Nations in December, 2017. Two stores are located on Long Plain First Nation lands, one store is located on OCN land, and one store is to be located on Nisichawayasihk Cree Nation land. NAC holds 49% of the units of each of the limited partnerships while each First Nation partner holds 51% of the units of their respective limited partnership. NAC will collect 5% of the revenue from each limited partnership as a management service fee. NAC anticipates hiring indigenous members of the First Nation partners to staff each store location.

British Columbia

As at the date of this MD&A, the Company is submitting retail cannabis license applications in the Province of British Columbia. The Province of British Columbia imposed a limit of eight licenses per licensee. NAC is applying for eight licenses.

Ontario

On November 14, 2018, the Ontario Government released regulations under the Cannabis License Act, 2018 (Ontario) which provide a licensing and regulatory regime for privately-owned and operated cannabis retail stores in Ontario. Ontario regulations currently do not permit the granting of retail operator licenses to corporations if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more Licensed Producers or their affiliates. The Company is closely following developments in Ontario and is actively working on ensuring that it will be compliant with the Ontario regulations.

Medical Clinics

In 2017, NAC operated eleven clinics. Currently, NAC operates seven clinics across Canada in six provinces. In 2018, NAC undertook a strategic shift to close certain of its brick and mortar clinics and transition to a virtual platform while concurrently pivoting operations into partnerships with existing pharmacies with the anticipation of pharmacies receiving a license to dispense cannabis medicines. To further enhance this strategic shift, NAC acquired 51% of National Access Cannabis Medical Inc. ("**NACM**") in April 2018. At the time of the acquisition, NACM had 40 pharmacies under contract with a strategy to expand further. As of the date hereof, NACM has entered into service agreements with 115 pharmacies.

NACM facilitates the appropriate use of medical cannabis by connecting patients with knowledgeable healthcare practitioners, coordinating clinic visits, managing medical cannabis education, providing assistance with product selection, coordinating patient registration with Health Canada approved Licensed Producers and continued follow-up. NACM clinics act as a referral hub for healthcare providers that wish to refer patients that may (in their view) benefit from medical cannabis. Patients are then screened further by NACM for eligibility.

NACM has a growing roster of nine partner physicians and three nurse practitioner. NACM also employs: nine Cannabinoid Therapy Educators ("**CTEs**"), ten Cannabinoid Therapy Assistants and six clinic managers. NACM has agreements with over 20 different Licensed Producers to allow for optimal matching of medical cannabis chemotypes with a patient's medical cannabis needs and access to a diverse product supply pool.

NACM operates medical clinics that connect Canadians with licensed producers. The clinic staff provide patients with an in-depth education session and provide a liaison service with licensed producers that assists patients in selecting strains of medical cannabis based on the patient's condition and medical needs. Each clinic typically has one to three CTEs on staff per location. The minimum qualifications for CTEs are nursing certificates or degrees or medical designations/training (RPNs, LPNs, RNs, or IMGs). In addition, training is received from medical staff, senior staff, licensed producers, cannabis strain guides, cannabis publications and NACM in-house educational resources.

NAC clinic staff are trained and knowledgeable on the different types of medical cannabis products available from Licensed Producers, in order to help the patient make the most appropriate decision when selecting a Licensed Producer. Clinic staff prepare the patient's medical file and the physician or nurse practitioner reviews the file with clinic staff before the patient's consultation. If the consultation with the physician results in a prescription for medical cannabis, clinic staff work with the patient to help register that patient with a Licensed Producer and to transmit the patient's order. NACM staff educate the patient on the Licensed Producer's product-indications, side-effects, cost, dosage forms and administration methods. The decision as to which Licensed Producer to select, ultimately rests with the patient.

Together with the Company and National Access Canada Corporation, NACM, has over twenty contracts ("**LP Contracts**") with Licensed Producers under the *Access to Cannabis for Medical Purposes Regulations*, SOR/2013- 230, which has now been replaced by the *Cannabis Act* (Canada). The LP Contracts govern the business relationship between NACM and the Licensed Producer. Pursuant to the LP Contracts, NACM is paid an education fee also known as an education grant. The licensed producer's provide medical cannabis educational materials to NACM's clinics and NACM provides these educational materials to its patients if appropriate, in addition to supplemental education. The education fee is designed to offset the expenses associated with education costs. No physician, caregiver or employee of NACM receives any direct commissions or other fees from Licensed Producers.

NACM clinics operate under municipal business licenses, which NACM and clinics maintain in good standing. NACM does not have any other specific license for operating its clinics. It is the responsibility of the clinic's physicians to maintain a medical license.

Pharmacy Medical Cannabis Management System

The Company's strategic transition away from bricks and mortar medical cannabis clinics to partnerships with independent pharmacies and traditional medical clinics is being facilitated by the implementation of a Medical Cannabis Management System ("**MCMS**") for partner pharmacies.

The MCMS provides pharmacies with a turnkey medical cannabis program for their patients and, when legally permissible, assistance with management of quality product sourcing and distribution. Partner pharmacies can screen and refer appropriate patients to NACM clinics, with the goal of providing access to knowledgeable medical cannabis practitioners and cannabinoid educators. Pharmacists will also be involved in medical cannabis counselling and follow-up as needed, at the community pharmacy level. Implementation of MCMS at pharmacies will help to provide comprehensive medical cannabis related patient care through medical cannabis education for both patients and healthcare providers, access to prescribers and, in the future, sourcing of quality cannabis products and competitive pricing for pharmacy partners and their patients.

Future telemedicine or in person appointments and counselling sessions are anticipated to take place in pharmacies and associated medical clinics in addition to NACM clinics. NACM will utilize a call-center and advanced EMR system to help co-ordinate care. In addition, patients and healthcare providers will have the opportunity to participate in research conducted through NAC Bio Inc. ("**NAC Bio**").

Until pharmacies can dispense on site, NACM will generate revenue for the services it provides at partner pharmacies through the education grants it receives from Licensed Producers. Once pharmacies are provided with a license to dispense, NACM will generate revenue through the wholesale margin that it earns for supporting the pharmacies in acquiring cannabis medicines from Licensed Producers.

NAC Bio

NAC Bio is a patient-centered health information company utilizing cutting-edge digital technologies to advance cannabis research, innovation, and personalized cannabis care. The company is a majority controlled subsidiary of NAC and was founded by NAC and Dr. Tyler Wish in 2018 to provide NAC with a special purpose entity for developing innovative and research and development-intensive solutions to industry challenges.

In partnership with NACM, NAC Bio is developing a digital platform to accelerate research, innovation, and commercialization opportunities within the field of medicinal cannabis.

The medicinal cannabis sector is limited by a lack of high-quality information on medical cannabis patients and inadequate digital infrastructure required for pursuing sophisticated, large-scale research and innovation opportunities. Consequently, to date, the sector has been unable to apply modern research tools and analysis (e.g. human genomics and machine learning technologies) to the challenges of developing evidence-based guidelines, providing personalized patient care, performing therapeutic discovery, and generating real-world evidence. NAC Bio was established to address all of these challenges and limitations.

NAC Bio is currently developing an information database on the human use of medicinal cannabis via the NAC Registry, a voluntary patient registry that will collect high-quality, integrated (clinical, genomic, and patient outcomes), and longitudinal information from voluntary participants receiving care from NAC Medical.

It is anticipated that the NAC Bio knowledge base will be utilized in conjunction with NAC Bio's computational platform to enable enhanced patient care (e.g. treatment decision making algorithms), perform data-driven drug discovery (i.e. the development of intellectual property related to novel cannabis-related targets, compounds, and formulations), and to provide contract research services to industry partners (e.g. clinical trial matching and real-world evidence).

NAC Bio provides a unique opportunity to develop a powerful information resource to be utilized towards advanced sophisticated digital research, innovation, and commercialization opportunities and also can be utilized to return datadriven insights to patients and care providers that enhances the quality of care that NAC provides to its customers.

NAC Bio is led by Dr. Tyler Wish, a trained epidemiologist who holds a PhD (medicine) from Memorial University and a BSc from the University of Victoria. Prior to NAC Bio, Dr. Wish was the cofounder and chief executive officer of Sequence Bio, a privately-held, venture-backed biotechnology company utilizing the unique population genetics of Newfoundland in conjunction with machine learning technologies to enable computational drug discovery. Dr. Wish was appointed as one of ten Canadian Innovation Leaders by the Honorable Minister Navdeep Bains and he currently sits on the Board of ACTUA Canada, Canada's largest youth STEM outreach organization.

Provincial and Territorial Regulatory Frameworks

The provincial and territorial regulatory frameworks relating to cannabis are complex and rapidly evolving. Provincial and territorial governments in Canada have taken different approaches to regulate the distribution and sale of adult use cannabis. Québec, New Brunswick, Nova Scotia and Prince Edward Island have chosen the government-regulated retail, whereas Alberta, Manitoba, Saskatchewan and Newfoundland & Labrador have opted for a private sector approach. Ontario and British Columbia announced plans to pursue a hybrid approach of public and private sale and distribution. The Company continues to monitor these regulatory changes and related announcements and their impact on the Company's business and operations, including plans for further expansion of recreational retail locations. For a description of the risks associated with the changing regulatory framework relating to cannabis, see "Known Trends, Risks or Demands" below.

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, 2016	Feb 28, 2017	May 31, 2017	Aug 31, 2017	Nov 30, 2017	Feb 28, 2018	May 31, 2018	Aug 31, 2018
Revenue	179,350	249,654	363,581	401,630	437,352	475,412	529,274	514,476
Net Loss	(607,943)	(787,088)	(1,615,884)	(4,691,375)	(1,344,068)	(1,313,110)	(2,324,505)	(4,236,837)
Net Loss Per Share - Basic	(0.01)	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)
Net Loss Per Share - Diluted	(0.01)	(0.01)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.03)

The Company has incurred losses over the last eight quarters and anticipates continued losses as it implements initiatives to continue growing its business within the medical and retail cannabis industry in Canada. Revenue has increased due to an increase in patients served by the seven clinic 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, 2018. The increased costs have been incurred primarily in connection with the Company's preparations to expand into the retail cannabis industry in fiscal year 2019.

Selected Annual Information

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

	2018	2017	2016
Total Revenue	1,956,514	1,192,973	313,814
Net comprehensive loss	(9,218,521)	(7,724,919)	(1,342,641)
Per share – basic ($/Common Share)	(0.07)	(0.13)	(0.04)
Per share – diluted ($/Common Share)	(0.07)	(0.13)	(0.04)
Total Assets	46,818,315	7,670,846	1,675,195
Total Non-Current Financial Liabilities	4,355,953	11,397	15,925

Results of Operations

$	Three Months Ended		Twelve Months Ended	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
Total revenue	$ 514,476	$ 401,630	$1,956,514	$1,192,973
Cost of goods sold	(145,131)	(155,960)	(608,955)	(470,432)
Gross margin	369,345	245,670	1,347,559	722,541
Office and general administrative expenses	(3,010,325)	(1,019,687)	(7,782,280)	(3,426,073)
Sales and marketing expenses	(97,267)	(46,177)	(269,289)	(146,374)
Amortization	(510,315)	(75,756)	(1,061,600)	(341,947)
Share based compensation	(357,912)	(1,253,169)	(823,148)	(1,899,387)
Loss from operations	(3,606,474)	(2,149,119)	(8,588,158)	(5,091,240)
Listing expenses	-	(2,427,438)	-	(2,427,438)
Interest on short-term debt	(294,521)	(39,809)	(294.521)	(131,232)
Other expenses	(335,842)	(75,009)	(335,842)	(75,009)
Net comprehensive loss	(4,236,837)	(4,691,375)	(9,218,521)	(7,724,919)
Loss per share - basic and diluted	(0.03)	(0.07)	(0.07)	(0.13)
Deficit, at end of period	(4,236,837)	(4,691,375)	(18,428,990)	(9,563,493)

The net comprehensive loss for the three months ended August 31, 2018 was $4,236,837 or $0.03 per share versus a net comprehensive loss of $4,691,375 or $0.07 per share in the fourth quarter of 2017.

The Company had a net comprehensive loss for the twelve months ending August 31, 2018 of $9,218,521 or $0.07 per share, versus the loss during the same period of $7,724,919 or $0.13 per share in 2017. The increase in loss for the period was primarily attributable to expenditures incurred for the continued expansion of the Company's operations in the cannabis industry.

Some of the significant changes are as follows:

- Salaries and benefits during the twelve months ended August 31, 2018 were $2,846,542, compared to the twelve months ended August 31, 2017 of $1,329,553. The significant increase from the previous year has been due to the expansion of operations to scale up in the recreational cannabis market. The Company had 52 full-time equivalent ("**FTE's**") as of August 31, 2018 versus 43 FTE's as of August 31, 2017.

- Share-based compensation (a non-cash expense) amounted to $357,912 and $823,148 for the three and twelve-months ended August 31, 2018, whereas these expenses were $1,253,169 and $1,899,387 for the three and twelve-months ended August 31, 2017. 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 twelve months ended August 31, 2018 were $3,274,647 compared to the twelve months ended August 31, 2017 of $1,229,174. As a result of expansion and acquisition initiatives in the retail cannabis industry and developing new business opportunities and partnerships, the Company incurred significantly higher legal and consulting fees.

The Company has incurred losses in recent periods and anticipates continued losses as it implements initiatives to continue growing its business and rollout of recreational cannabis retail locations. 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 growth with ongoing buildout of cannabis retail locations. The Company plans to expand its operations to all economically viable and legally permissible locations in Canada. Planned expansion strategies include; developing additional corporate locations, seeking acquisition opportunities, providing additional services and activities surrounding the cannabis industry and continuing to explore acquisition and partnership opportunities that enhance its brand and profitability.

With the decision to focus on pharmacies as the future of NAC's domestic medical business, the Company has stopped investing in growing the clinic business. Furthermore, NAC has diverted resources from clinic operations, sales and marketing to building out the pharmacy program. As a result, NAC has experienced financial losses in all but two clinics, namely Ottawa and Winnipeg. The losses are likely to continue as the Company completes the move into the pharmacy focus.

Revenue

Revenue for the three months ended August 31, 2018 was $514,476 versus $401,630 in the same period in the prior year. Revenues for twelve months ended August 31, 2018 were $1,956,514 versus $1,192,973 for the twelve months ended August 31, 2017. Revenue growth is attributable to newly opened locations in fiscal year 2018 and increased commissions from Licensed Producers. Total membership has increased from 8,752 at August 31, 2017 to 16,151 at August 31, 2018. Revenues are expected to continue to increase as the Company begins operations at its retail cannabis locations.

Gross Profit

Gross Profit for the three months ended August 31, 2018 was $369,345 versus $245,670 in the same period in the prior year. Gross Profit for twelve months ended August 31, 2018 was $1,347,559 versus $722,541 for the twelve months ended August 31, 2017. The Gross Profit margin has increased from 61% in 2017 to 69% for the twelve months ended August 31, 2018. The increase is primarily attributed to the increase in commissions revenue from Licensed Producers which have no direct costs associated with this income source.

Expenses

Office, General and Administrative Expenses

	Three Months Ended				Twelve Months Ended			
$	**31-Aug-18**	**%**	**31-Aug-17**	**%**	**31-Aug-18**	**%**	**31-Aug-17**	**%**
Professional fees	948,830	32%	54,859	5%	1,892,296	24%	507,103	15%
Consulting fees	428,521	14%	215,986	21%	1,382,351	18%	722,071	21%
Salaries & benefits	1,004,685	33%	503,449	49%	2,846,562	37%	1,329,533	39%
Travel	76,890	3%	64,954	6%	302,178	4%	196,530	6%
Rent & utilities	337,912	11%	114,864	11%	820,828	11%	419,476	12%
Office expenses	73,978	2%	46,452	5%	192,100	2%	201,909	6%
Interest & bank charges	2,656	0%	12,436	1%	17,903	0%	20,637	1%
Other	136,853	5%	6,687	1%	328,082	4%	28,814	1%
Total	$3,010,325	100%	$1,019,687	100%	$ 7,782,280	100%	$ 3,426,073	100%

In the fourth quarter ended August 31, 2018, the Company incurred expenses of $3,010,325 versus $1,019,687 in the fourth quarter ended August 31, 2017.

In the twelve-month period ended August 31, 2018, the Company incurred expenses of $7,782,280 versus $3,426,073 in the twelve months ending August 31, 2017.

The increase from comparable periods is due to the continued growth in corporate locations, hiring of additional managerial and administrative staff, and the development of stated business objectives. The Company anticipates that expenses will continue to increase as operations expand to new locations, primarily in the recreational retail market 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, 2018 were $949,830 and $1,892,296 compared to the three and twelve months ended August 31, 2017 of $54,859 and $507,103. These fees were incurred due to legal and audit work required for general corporate matters, government, investor relations, and acquisitions and strategic partnerships during the period due to Company expansion.

Consulting fees during the three and twelve months ended August 31, 2018 were $428,521 and $1,382,351 compared to the three and twelve months ended August 31, 2017 of $215,986 and $722,071. These fees were incurred due to patient acquisition costs, lobbying efforts at the Federal, Provincial, and Municipal levels, as well as other costs associated with the expansion of new corporate locations and the pursuit of other business opportunities in the cannabis industry.

Salaries and benefits during the three and twelve months ended August 31, 2018 were $1,044,685 and $2,846,562, compared to the three and twelve months ended August 31, 2017 of $503,449 and $1,329,533. The notable increase is due to hiring of staff to support the Company's expanding network of locations and expansion into the recreational cannabis sector in fiscal year 2019. The Company employed 52 FTEs as of August 31, 2018 versus 43 FTEs as of August 31, 2017.

Travel expenses during the three and twelve months ended August 31, 2018 were $76,890 and $302,178 compared to the three and twelve months ended August 31, 2017 of $64,954 and $196,530. 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, 2018 were $337,912 and $820,828 compared to the three and twelve months ended August 31, 2017 of $114,864 and $419,476. Lease payments have increased primarily due to new locations during the year that have been acquired for the recreational cannabis industry.

Other expenses during the three and twelve months ended August 31, 2018 were $136,853 and $328,082 compared to the three and twelve months ended August 31, 2017 of $6,687 and $28,814, respectively. The increase in expense is primarily attributed to higher insurance and business license fees for the expansion into the recreational cannabis market.

Share-Based Compensation Expenses

During the twelve months ended August 31, 2018, the Company recognized $823,148 compared to $1,899,387 for the twelve months ended August 31, 2017 in share-based compensation.

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

A total of 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, 2018 there were no NAC Shares issued.

Expenses related to options issued during the nine months ended August 31, 2018 was $829,397 compared to $237,245 during the comparable period in 2017. The number of options outstanding at August 31, 2018 amounts to 8,151,892 at a weighted average exercise price of $0.39. The Company may issue up to 10% of the issued and outstanding Common Shares under its stock option plan.

Interest on Short Term Debt

On July 19, 2018, the Company entered into a loan agreement with Opaskwayak Cree Nation ("**OCN**"), pursuant to which OCN agreed to lend up to $35,000,000 to the Company (the "**OCN Loan**"). The OCN Loan has a six-month term and carries an interest rate of 10% per annum. As at August 31, 2018, the Company had drawn down a total of $25,000,000 in accordance with the loan agreement. Pursuant to the terms of the OCN Loan agreement, NAC must also pay the OCN a commitment fee of at least $1,642,875.00, which will increase to $3,000,000.00 in the event that the Company exceeds the $25,000,000 currently drawn under the OCN Loan agreement. Subsequent to the year ended August 31, 2018, the OCN Loan was paid in full. See additional repayment details in "Subsequent Events" below.

Other Expenses

Included in other expenses an impairment loss was recognized on leasehold improvements and goodwill related to four medical clinic locations (Victoria, Halifax, Saskatoon and Calgary) totaling $320,753. The loss recognized is described in more details in the Company's audited financial statements.

Adjusted EBITDA

$	Twelve Months Ended	
	31-Aug-18	31-Aug-17
Net loss and comprehensive loss for the year/period	(9,218,521)	(7,724,919)
Interest on short-term debt	294,521	131,232
Amortization of property and equipment	362,445	318,588
Amortization of intangible assets	698,555	23,359
Listing expense	-	2,427,438
Accretion expense	-	71,873
Share based compensation	823,148	1,899,387
Adjusted EBITDA	(7,039,852)	(2,853,042)

Management defines Adjusted EBITDA as the Net loss from operations, as reported, before interest, tax, and adjusted by removing non-cash items, including the stock-based compensation expense, depreciation, and further adjusted to remove acquisition related costs. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash items and acquisition related costs. Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning under the issuer's GAAP and therefore may not be comparable to similar measures presented by other issuers.

Balance Sheet

$	As at	
	31-Aug-18	31-Aug-17
Total assets	46,818,315	7,670,846
Total liabilities	30,726,860	1,346,315
Share capital	25,794,955	15,311,030
Warrants	2,952,235	160,937
Contributed surplus	1,245,455	416,057
Accumulated other comprehensive loss	(428,571)	-
Non-controlling interest	4,956,331	-
Deficit, at end of period	(18,428,990)	(9,563,493)

Total Assets

Total assets of the Company were $46,818,315 on August 31, 2018 versus $7,670,846 on August 31, 2017. The increase in total assets is primarily due to an increase in cash due to the $6,000,000 private placement financing in January 2018, the receipt of the $25,000,000 OCN Loan, and Intangible assets acquired as a result of strategic acquisitions and alliances during the period. This was offset by a reduction in cash due to the continued expansion of the Company's operations over the past twelve months ended August 31, 2018.

Total Liabilities

Total liabilities increased to $30,726,860 at August 31, 2018 versus $1,346,315 on August 31, 2017 primarily due to debt financing and contingent consideration payable resulting from the NACM acquisition. See "Major Operating Milestones" below.

Total Share Capital

The authorized capital stock of the Company consists of an unlimited number of Common Shares. Below are the number of issued and outstanding Common Shares, warrants and options at August 31, 2018 and August 31, 2017.

	As at	
	31-Aug-18	31-Aug-17
Common Shares	135,700,258	115,974,163
Warrants	10,755,937	1,440,050
Options	8,151,892	8,269,004

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 Company is exposed in varying degrees to a variety of financial risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. For further discussion of risks related to the Company's business, including financial risks, please see "Risk Factors" below. The reader is also advised to review the discussions of credit risk and liquidity risk (Note 21) of the accompanying financial statements.

The Company has incurred losses since incorporation and as at August 31, 2018 had an accumulated deficit of $18,428,990 (August 31, 2017: $9,563,493). The Company is in the development stage of expanding by opening and acquiring cannabis retail 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.

The Company has sufficient cash on hand to continue with the current day to day operations up to the second quarter of fiscal year 2019. The Company expects to have a working capital deficiency then, but plans to generate sufficient amounts of cash and cash equivalents in the short and long term to maintain the Company's capacity and meet obligations as they become due, by reviewing all options including partnership agreements, debt, and equity financing.

The Company plans to continue expansion of retail locations to sell and distribute cannabis and cannabis related products. Expansion into recreational retail locations along with exploring other business opportunities will require additional financing.

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

Financing Activities

For the twelve months ended August 31, 2018, the Company generated $6,502,013 in cash from financing activities versus generating $8,084,468 for the twelve months ending August 31, 2017.

On January 31, 2018, the Company completed a non-brokered private placement pursuant to which it issued 10,909,091 units of the Company for aggregate gross proceeds of 6,000,000. Each unit is comprised of one Common Share in the capital of the Company and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at a price of $0.90 per share, subject to adjustment in certain events, for a period of 24 months following the closing date. In connection with the closing of the private placement, the Company paid a finder's fee, consisting of a cash commission of $194,346 and an aggregate of 353,356 finder's warrants. Each finder's warrant entitles the holder acquire one Common Share at an exercise price of $0.90 per share for a period of 24 months following the closing date. The warrants were valued at $136,798 using the Black-Scholes option pricing model and the following variables: stock price of $0.95; expected life of two years; $Nil dividends; 71% volatility; and risk-free interest rate of 1.04%

Investing Activities

For the twelve months ended August 31, 2018, the Company had a surplus of $19,870,512 in cash from investing activities versus a deficiency of $597,744 for the twelve months ended August 31, 2017.

On May 25, 2018 the Company subscribed for a $1,850,000 secured convertible debenture (the "**NewLeaf Debenture**") of The Green Company Ltd. ("**NewLeaf**") that was used by NewLeaf for capital expenditures required to build recreational cannabis retail stores in the Province of Alberta. The principal amount of the NewLeaf Debenture was convertible into common shares of NewLeaf at any time at NAC's option until May 25, 2020, subject to receiving regulatory approvals. On August 23, 2018, the Company elected to convert the NewLeaf Debenture into 123,333 common shares in the capital of NewLeaf, representing 9.9% of the issued and outstanding common shares of NewLeaf. Upon conversion of the NewLeaf Debenture, the Company also received $24,585 of accrued interest. (See "Major Operating Milestones" below).

In addition to the NewLeaf Debenture, NAC agreed to provide NewLeaf with a non-revolving operating loan for up to $7 million pursuant to a secured loan agreement dated May 25, 2018 (the "**NewLeaf Loan**"). The NewLeaf Loan was extended to NewLeaf to finance capital expenditures required to build recreational cannabis retail stores in the Province of Alberta. Subject to the terms of the agreement, NewLeaf may make drawdowns under the NewLeaf Loan for up to $250,000 for each cannabis retail location. The NewLeaf Loan bears interest at prime rate plus 3% per annum and is due on or before May 25, 2020. As at August 31, 2018, the Company has advanced a total of $1,750,000 to NewLeaf in accordance with the loan agreement. Subsequent to year-end, the Company acquired 100% of the remaining issued and outstanding common shares of NewLeaf. (See "Subsequent Events" below).

On July 19, 2018, the Company entered into the OCN Loan. As at August 31, 2018, the Company received a total of $25,000,000 in accordance with the loan agreement. Subsequent to the year ended August 31, 2018, the OCN loan was paid in full. See "Subsequent Events" below.

Investment funds were used primarily to finance capital expenditures required to build recreational cannabis retail stores and to build an infrastructure to support the retail chain. Investment funds were also used to acquire interest in cannabis related entities.

Working Capital

The Company had a working capital deficit of $1,278,405 on August 31, 2018 versus a surplus of $4,002,005 as at August 31, 2017. Expenditures incurred for the rapid expansion of the Company over the last twelve months have been offset by cash inflows from financing and investing activities throughout the year.

Current assets increased to $25,096,462 at August 31, 2018 from $5,336,923 at August 31, 2017 primarily as a result of an increase in cash and receivables.

Current liabilities increased to $26,374,867 at August 31, 2018 from $1,334,918 at August 31, 2017. The significant increase in current liabilities is primarily due to the amount drawn down under the OCN Loan, in the amount of $25,000,000.

Cash Used in Operations

$	31-Aug-18	31-Aug-17
Net loss for period	(9,218,521)	(7,724,919)
Add charges to operations not requiring current cash payment	2,265,386	4,528,364
Changes in non-cash working capital balances related to operations	(794,948)	522,876
Cash used in operating activities	(7,748,083)	(2,673,679)

Cash used in operating activities amounted to $7,748,083 for twelve months ended August 31, 2018 compared to $2,673,679 for the same period in 2017.

Charges to operations not requiring current cash payment amounted to $2,265,386 for the twelve months ended August 31, 2018 compared to $4,528,364 for the same period in 2017. The decrease is primarily attributed to Qualifying Transaction non-cash listing expenses of $2,126,549 in 2017.

Changes in non-cash working capital balances related to operations were $794,948 for the twelve months ended August 31, 2018, compared to a surplus of $522,876 for the twelve months ended August 31, 2017, primarily due to the change in accounts receivable and accounts payable.

Off Balance Sheet Arrangements

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

Related Party Transactions

Related parties include the Company’s key management personnel, independent directors and shareholders. Transactions with related parties were conducted in the normal course of operations and are measured at fair value, which is the amount of consideration established and approved by the related parties.

Obsidian Consulting and Investigations Inc., a company controlled by the President of the Company, has been contracted to provide consulting services to the Company. During the twelve months ended August 31, 2018, the Company’s expenses included $150,500 (2017 - $150,500) related to these services.

AJKNJ Corp., a company controlled by Marc Lustig, a director of the Company, has been contracted to provide consulting services related to certain transactions contemplated by the Company. During the twelve months ended August 31, 2018, the Company’s expenses included $75,000 (2017 - Nil) related to these services.

Rocco Meliambro, a director of the Company has been engaged to provide consulting services to the Company. During the twelve months ended August 31, 2018, the Company’s expenses included $80,000 (2017 - $67,500) related to these services.

2627639 Ontario Inc., a company controlled by Felipe Campusano, a director of the Company, owns 24.5% of the issued and outstanding shares of NACM. During the twelve months ended August 31, 2018, 2627639 Ontario Inc., advanced a proportional share of $115,000 in capital contributions into NACM.

A Director of the Company, Christian Sinclair, is Chief of the Opaskwayak Cree Nation ("OCN"). On July 20, 2018, the Company entered into a loan agreement with OCN pursuant to which OCN will lend up to $35,000,000 to the Company. The loan had a six-month term and carried an interest rate of 10% per annum.

As at August 31, 2018, the Company has received a total of $25,000,000 in accordance with the loan agreement. Subsequent to year end, the Company fully repaid the outstanding OCN loan. The sum of the payout was $26,716,197 which included principal repayment of $25,000,000 and $1,642,857 in commitment fees. The balance of the payout included payments for interest and other payment obligations including legal fees, and other expenses.

Three of the Company's independent directors, Marc Lustig, Christian Sinclair and Felipe Campusano were appointed to a Special Committee for the purpose of reviewing and recommending action on a proposed transaction. The directors were compensated $50,000 in aggregate for their participation on the Special Committee.

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. The Company intends to adopt IFRS 9 on September 1, 2018. The Company has completed its assessment of the impact from this new standard. IFRS 9 introduces new requirements to determine the measurement basis of financial assets, involving cash flow characteristics of assets and the business model under which they are managed. For all financial instruments of the Company, there are no significant changes in the classification and measurement of the Company’s financial assets.

IFRS 15 ‘Revenue from contracts with customers’ was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The effective date is for annual periods beginning or after January 1, 2018. The Company intends to adopt IFRS 15 on September 1, 2018 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of September 1, 2018 and comparatives will not be restated.

The Company has completed its assessment of the impact from this new standard. Under IFRS 15, referral revenues earned from Licensed Producers are recognized over a period of time as the referred patients remain an active purchaser with the Licensed producer. Based on the Company’s assessment, the adoption of this new standard does not have a material impact on its consolidated financial statements.

Merchandise and administrative revenues are recognized at the point when the control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company’s current revenue recognition policy under IAS 18.

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

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

Subsequent Events

Subsequent to year-end, shareholders of the Company exercised 1,775 warrants and 125,000 options through a number of individual transactions. The Company received $20,347 in cash.

On September 11, 2018, the Company executed an option amending agreement pursuant to which the Company acquired all of the remaining issued and outstanding shares of NewLeaf not already owned by NAC, for total consideration of 23,582,000 Common Shares and $5,895,500 cash (the “**NewLeaf Consideration**”), all of which were issued into escrow pending NewLeaf achieving certain post-closing milestones. The NewLeaf Consideration will be released from escrow as NewLeaf opens cannabis retail locations in Alberta. If certain milestones are not met within a defined timeline, proportionate amounts of the NewLeaf Consideration will be returned to NAC.

On October 22, 2018, the Company announced the signing of pharmacy cannabis program agreements with 70 pharmacies in Canada that will be participating in the NACM Medical Cannabis Management System, bringing the total number of pharmacies to 115.

On October 26, 2018, the Company closed the first tranche of a private placement of 21,978,022 Common Shares at a price of 0.91 per Common Share for total proceeds of $20.0 million. The closing was the first of three tranches pursuant to the terms and conditions of applicable subscription agreements and master investment agreements (the "**Subscription Documents**") whereby four Licensed Producers, Aphria Inc., CannTrust Inc., VIVO Cannabis Inc. and Zenabis Ltd. (the "**LPs**") subscribed, in aggregate, for up to $55 million in Common Shares in three tranches, subject to the terms and conditions of the Subscription Documents, including the achievement of future retail expansion milestones (the "**LP Financing**"). In order to participate in the LP Financing, NAC and each of the LPs entered into the Subscription Documents committing to, among other things, subscribe for an aggregate amount of either $10,000,000 or $15,000,000 of Common Shares in two or three tranches.

The second tranche will occur if NAC is granted approval for an aggregate of 50 cannabis retail locations from the applicable regulatory authorities in the provinces of Canada before October 26, 2019. NAC may deliver a written notice to each of the LPs (the "**First Milestone Notice**") requiring each LP to purchase and subscribe for $5,000,000 of additional Common Shares at a price per Common Share equal to the 15 day volume weighted average trading price of the Common Shares on the TSXV for the last 15 trading days of the calendar month immediately preceding the date of the First Milestone Notice, or if such trading price is lower than the maximum permitted discount for the second tranche of the LP Financing, the maximum permitted discount for the issuance of the Common Shares under TSXV policies.

The third tranche will occur if NAC is granted approval for an aggregate of 100 cannabis retail locations from the applicable regulatory authorities in the provinces of Canada before October 26, 2020. NAC may deliver a written notice to three of the four LPs (excepting VIVO Cannabis Inc.) (the "**Second Milestone Notice**") requiring such LPs to purchase and subscribe for $5,000,000 of additional Common Shares at a price per Common Share equal to the 15 day volume weighted average trading price of the Common Shares on the TSXV for the last 15 trading days of the calendar month immediately preceding the date of the Second Milestone Notice, or if such trading price is lower than the maximum permitted discount for the third tranche of the LP Financing, the maximum permitted discount for the issuance of the Common Shares under TSXV policies.

On November 23, 2018 the Company completed the brokered private placement offering of special warrants of NAC ("**Special Warrants**"). Each Special Warrant entitles the holders thereof to receive 8.00% senior secured convertible debentures of the Company ("**Convertible Debentures**") upon exercise or deemed exercise of the Special Warrants. 21,150 Special Warrants were issued at a price of $1,000 per Special Warrant for aggregate gross proceeds to the Company of $21,150,000. The net proceeds from the Offering were used by the Company to repay existing debt. In consideration of the services provided by the agents under the offering, the Company paid the agents a cash fee equal to 6% of the gross proceeds of the offering.

Each Special Warrant entitles the holder thereof to receive, subject to adjustment in certain instances and without payment of any further consideration, one Convertible Debenture, each with a deemed issue price of $1,000 per Convertible Debenture. The Convertible Debentures will be senior, secured obligations of NAC and will bear interest at a rate of 8.00% per annum, payable semi-annually in arrears on May

31 and November 30 of each year, commencing May 31, 2019. The Convertible Debentures will be convertible at any time at the option of the holders thereof into Common Shares at a conversion price of $1.08 per Common Share, subject to customary adjustment. The Convertible Debentures will mature on November 30, 2021.

The Company has the right at any time beginning March 24, 2019 to force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $1.57 for any 10 consecutive trading days. Holders converting their Convertible Debentures under a mandatory conversion will receive unpaid interest thereon for the period from the date of the latest interest payment date to, and including, the Maturity Date.

On November 23, 2018, the Company fully repaid the OCN Loan. The sum of the payout was $26,716,197, which included principal repayment of $25,000,000 and $1,642,857 in commitment fees. The balance of the payout included payments for interest and other payment obligations including legal fees, and other expenses.

On November 30, 2018, the Company issued 75,000 incentive stock options to an officer of the Company at an exercise price of $0.61 expiring on November 30, 2023. One-fifth of the options issued will vest immediately, with the remaining vesting over the course of four installments, each installment vesting every three months following the date of issue.

On November 30, 2018, the Company acquired all of NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership for the forgiveness of $192,702 of debt and the issuance of 2,173,913 Common Shares at a price of $0.69 per Common Share (the "**Acquisition**"). The Acquisition gives NAC 100% ownership in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership. The assets acquired include various leaseholds, rights to operate retail locations in Northern Alberta, and other fixed assets and equipment. The Company is in the process of assessing the fair value of the net assets acquired.

On December 14, 2018, the Company entered into a loan agreement with OCN pursuant to which OCN will lend $9,000,000 to the Company. The loan has a six-month term and carries an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of $1.08 per Common Share for a period of three years from the date of the loan agreement.

Major Operating Milestones

On November 6, 2017, Dr. Tyler Wish joined the Company to establish and lead its research and development division through NAC Bio. In this executive role, Dr. Wish will be responsible for furthering the Company's efforts to advance knowledge of medicinal cannabis as a pharmaceutical product and to enhance its efficacy and safety across multiple patient populations.

On December 2017, the Company entered into limited partnership agreements with numerous Manitoba Indigenous First Nations. Under the terms of these agreements, each of the OCN, Long Plain First Nation, Peguis First Nation, Nisichawayasihk Cree Nation, and Brokenhead Ojibway Nation partnered with NAC to work together to establish a retail recreational cannabis distribution network in Manitoba, when legally permissible to do so.

On February 16, 2018, NAC announced that the government of Manitoba had chosen the Company as one of four recipients of licenses to operate privately owned retail cannabis stores in the Province of Manitoba, conditional upon several factors, including completing necessary agreements and providing the required documentation as outlined in the Manitoba RFP. Under the terms of the retail organization agreement with the Manitoba Provincial Government, NAC is permitted to build, develop and operate retail cannabis stores in approved municipalities in the Province of Manitoba.

On April 9, 2018, the Company acquired 51% of NACM pursuant to a share purchase agreement for a total consideration of $4,040,000 paid by 4,297,872 Common Shares. The purchase agreement also provides that, for a period of up to five years from the closing date, the vendors of NACM shall be entitled to receive up to $6,080,000 of additional Common Shares at market price on the date of issue, which are payable as follows: (i) $1,040,000 in the event 10,000 additional patients are assisted by NACM; and (ii) up to $5,040,000 in the event new pharmacies or health care centres in Canada enter into certain service agreements with NACM such that the aggregate number of contracted pharmacies and health care centres with NACM is greater than 300. NACM provides turnkey cannabis education programs for medical cannabis patients through services agreements with pharmacies across Canada, and, when and if legally permissible, NACM may provide assistance with on-site medical cannabis dispensing.

On April 11, 2018, NAC and Second Cup established a strategic alliance to develop and operate a network of NAC-branded cannabis retail stores, initially across Western Canada, expanding to include additional provinces where legally permissible. In certain locations, NAC will apply for licenses to retail cannabis products and upon receipt, work with Second Cup and applicable franchisees to leverage Second Cup's extensive Canadian retail footprint to construct cannabis retail stores. Conversion of any Second Cup to a NAC-branded retail cannabis store is conditional on obtaining a retail license from provincial regulators and the approval of Second Cup and the applicable franchisee and landlord. In consideration of this strategic alliance, NAC issued 5,000,000 warrants to Second Cup. Each warrant is exercisable into a Common Share at a price of $0.91 per Common Share until April 12, 2023.

On May 15, 2018, the Company announced its new brand, META, targeting the Canadian recreational cannabis market. META, is the Company's new innovative and premium recreational brand, which will open retail locations in select provinces. The network of recreational cannabis dispensaries will initially grow across Western Canada, before expanding to include additional provinces where legally permissible.

On May 23, 2018, the Company incorporated NAC Bio with an initial investment of $400,000 as the majority shareholder. NAC Bio, a technology and research company established to advance clinical research regarding the medical benefits of cannabis for the treatment of chronic disease and illness. The Company has subsequently invested $500,000 into NAC Bio and has committed to invest an additional $100,000 into NAC Bio to help grow the business. NAC currently owns 57.1% of NAC Bio. The other shareholder in NAC Bio is Dr. Tyler Wish, the former CEO of Sequence Bioinformatics Inc.

On May 28, 2018, the Company announced that it had agreed to provide NewLeaf with the NewLeaf Loan and subscribed for the NewLeaf Debenture.

On August 22, 2018, the Company elected to convert the NewLeaf Debenture into common shares of NewLeaf. As a result of the transaction, the Company held a 9.9% equity interest of NewLeaf's outstanding common shares as at August 31, 2018. Subsequent to year-end, the Company acquired 100% of the issued and outstanding common shares of NewLeaf.

Known Trends, Risks or Demands

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 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.

Securities or Industry Research and Reports

The trading market for the Common Shares could be influenced by the research and reports that industry or securities analysts publish about the Company. If one or more of these analysts cease coverage or fail to regularly publish reports, the Company could lose visibility in the financial markets, which in turn could cause the trading price or volume of its shares to decline. Moreover, if one or more of the analysts downgrade the Company or its shares or if the Company's operating results do not meet their expectations, the trading price of the Common Shares could decline.

Dependence on Corporate Culture

The Company believes that a critical component of its success is its corporate culture, which the Company believes fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. The Company has invested substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and pursuit of common goals. As the Company continues to develop the infrastructure of a public company and grow, it may find it difficult to maintain these valuable aspects of its corporate culture. Any failure to preserve the Company's culture could negatively impact its future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

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 clients to delay or reduce cannabis consumption 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 clients may owe;

- The risk that key suppliers 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.

Securing Adequate Financing to Fund Operations and Meet Expected Consumer Demand

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

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.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Intellectual Property Risks

The Company may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and require certain employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Risks Inherent in the Acquisition of Acquired Companies and Brands

As part of the Company's overall business strategy, the Company has and may continue to pursue select strategic acquisitions to acquire technologies, businesses, brands or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in the medical and recreational cannabis markets. While the Company conducts substantial due diligence in connection with such acquisitions, and plans to continue to do so in the future, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company currently anticipates that its historical acquisitions will be accretive; however, this expectation may materially change. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.

Future acquisitions may expose the Company to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Integrating Acquired Companies and Brands

The success of the acquisition of acquired companies and brands will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies and brands into the businesses of the Company. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of acquired companies with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of acquired companies and brands may also impose substantial demands on the Company's management. There is no assurance that these acquisitions will be successfully integrated in a timely manner. The challenges involved in the Company's integration of acquired companies and brands may include, among other things, the following: (a) the necessity of coordinating both geographically disparate and geographically overlapping organizations; (b) retaining key personnel, including addressing the uncertainties of key employees regarding their future; (c) integrating acquired companies into the Company's accounting system and adjusting the Company's internal control environment to cover the operations of such acquired companies; (d) integration of information technology systems and resources; (e) performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the integration of such acquired companies; and (f) unplanned costs required to integrate acquired companies with the Company's existing business.

Brand Risks

The Company's success is reliant on, among other things, the value of the Company's brands, and the failure to preserve their value and relevance could have a negative impact on the Company's results of operations. To be successful in the future, the Company must preserve, enhance and leverage the value of the Company's brands. Brand value is based in part on consumer tastes, preferences and perceptions on a variety of factors. Consumer acceptance of the Company's brands may be influenced by or subject to change for a variety of reasons. For example, adverse publicity associated with the Company's business practices may drive popular opinion against the Company's brands. If the Company is unsuccessful in addressing any such adverse perceptions, the Company's brands and results of operations may suffer.

Reputational Damage to the Company

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations, and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows, and growth prospects.

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.

Regulatory Risks

Successful execution of the Company's business is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the operation of its business. The cannabis industry is a relatively new industry and the Company cannot predict the impact of the changes to the compliance regime. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its business, or the extent of documentation that may be required by governmental authorities. The impact of cannabis regulatory compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products, and sales initiatives and could have a material adverse effect on the business, financial condition, and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs, or give rise to material liabilities, which could have a material adverse effect on the business, financial condition, and operating results of the Company.

Regulatory or Agency Proceedings, Investigations, and Audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. NAC may become involved in a number of government or agency proceedings, investigations, and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require NAC to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations, and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, and results of operation.

Provincial Legislation for Licensing and Retailing of Cannabis Varies

The Company has expanded to retail locations to sell and distribute cannabis and cannabis related products under its recreational cannabis brands META and NewLeaf in select provinces across Canada. Each province and territory have different rules for the establishment and licensing of retail outlets as well as different conditions on what can be sold. Success for the Company will be dependent on obtaining licenses and favourable conditions for additional retail locations.

Constraints on Marketing

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada limits companies' abilities to compete for market share. If the Company is unable to effectively market and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed, the Company's operations could be adversely affected.

Risks of Retail Store Operations

Growth of the Company's retail network depends, among other things, on the Company's ability to secure desirable locations on terms acceptable to the Company. The Company faces competition for retail locations from its competitors and from operators of other businesses. The success of many retail locations is significantly influenced by location. There can be no assurance that the Company's retail locations will continue to be attractive, or that additional retail storefronts can be located and secured as demographic and traffic patterns change. Also, there is no guarantee that the property leases in respect of prospective retail locations can be established on terms acceptable to the Company, or at all, and that property leases in respect of existing retail locations will be renewed or that suitable alternative locations can be obtained. It is possible that the locations or economic conditions where retail locations are located could decline in the future, resulting in reduced sales in those locations. There is no assurance that future sites will produce the same results as past sites.

Cannabis Supply Shortage

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC in Alberta announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licenses until further notice. Accordingly, there is no assurance that all of the Company's retail cannabis store license applications which have not already received approval by the AGLC, will be approved.

Supply shortages may significantly impact the Company's licensed retail cannabis locations ability to procure sufficient product. Prolonged shortages may significantly impact revenues and operating margins.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis produced. Consumer perception may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Results of Future Research

Clinical trials, observational studies, and basic research in Canada, the U.S., and internationally regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remain in early stages. There have been relatively few clinical trials or observational studies on the benefits of cannabis or isolated cannabinoids. Although the Company believes that published articles, reports, and studies support the Company's beliefs regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis, future clinical trials, observational studies, and basic research may prove such statements to be incorrect, or could raise concerns regarding cannabis and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors and prospective investors should not place undue reliance on such articles, reports, and studies. Future research studies and clinical trials may draw opposing conclusions to those stated in this MD&A or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance, or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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.

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.

Risk Inherent in the Pharmacy Distribution of Cannabis

The long-term future viability of NAC's pharmacy program is dependent on pharmacies being able to dispense cannabis. NAC can still prosper with pharmacies through a virtual patient support program aligned with pharmacies as a marketing channel, but the revenue and gross margin will be impacted. Whether pharmacies can dispense in the future will be dependent on changes to Health Canada policies and Provincial regulator approval. It is unknown when these changes may occur in the future.

Competition

There is potential that the Company will face intense competition from numerous independent dispensaries, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Company. Because of the preliminary stage of the recreational cannabis market in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in location expansions, design, marketing and sales. The Company may not have sufficient resources to maintain location expansions, design, marketing and sales efforts on a competitive basis which could materially and adversely affect the proposed business, financial condition and operating results of the Company.

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 will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Securities or Industry Research and Reports

The trading market for the Common Shares could be influenced by the research and reports that industry or securities analysts publish about the Company. If one or more of these analysts cease coverage or fail to regularly publish reports, the Company could lose visibility in the financial markets, which in turn could cause the trading price or volume of its Common Shares to decline. Moreover, if one or more of the analysts downgrade the Company or its Common Shares or if the Company's operating results do not meet their expectations, the trading price of the Company's Common Shares could decline.

Dividends

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

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and could use significant resources. Even if NAC is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Potential Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in the industries in which the Company operates, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company. Conflicts of interest may also arise in the event the Company, its clinics, pharmacies, Cannabinoid Therapy Educators, physicians or other staff are paid an education grant from a Licensed Producer or dispensary that is related to the Company or even as a result of commissions or education grants received from unrelated third parties. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and the internal policies and procedures of the Company.

Legal and Accounting Requirements

As a publicly-listed company, the Company is subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is material. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, the Company's inability to file required periodic reports on a timely basis, loss of market confidence, delisting of its securities and/or governmental or private actions against the Company. There can be no assurance that the Company will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis privately-held and larger public competitors.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with International Financial Reporting Standards. In preparation of its financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in this regard.

Risks Related to Dilutions

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

Limited Operating History

The Company has limited operating history, and is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Fraudulent or Illegal Activity by Employees, Contractors, and Consultants

The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete, and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against NAC, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on NAC's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Information Technology Systems and Cyber Attacks

The Company's operations will depend, in part, on how well it and its suppliers and service providers protect networks, equipment, IT systems, and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage, destruction, fire, power loss, hacking, computer viruses, vandalism, and theft. The Company's operations will also depend on the timely maintenance, upgrades, and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays, and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

There can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes, and practices designed to protect systems, computers, software, data, and networks from attack, damage, or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Breaches of Applicable Privacy Laws

NAC will collect and store personal information about its clients and will be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly client lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the PIPEDA protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If NAC was found to be in violation of the privacy or security rules under the PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation, and have a material adverse effect on the business, results of operations, and financial condition of the Company.

Political and Regulatory Instability

The Company's prospective operations will be subject to various anticipated laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While the Company intends to comply with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company may also incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's proposed business, financial condition and results of operation. Moreover, the legalization of recreational cannabis in Canada has been politically driven by the Federal Liberal Government, and there is no assurance that other political parties, if elected to government, will not reverse the steps taken by the Liberal Government towards legalization of recreational cannabis or impose more stringent and prohibitive regulatory frameworks. Such actions could have a material adverse effect on the proposed business or financial condition of the Company, or the viability of its prospective business model. Furthermore, future changes in provincial or municipal governments may also result in similar unfavourable changes to laws, regulations and guidelines pertaining to recreational cannabis

Forecast Uncertainties

NAC will need to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical and retail cannabis industry in Canada. A failure in the demand for its business to materialize as a result of competition, technological change or other factors could have a material adverse effect on the proposed investments, business, results of operations, and financial condition of NAC.