No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

*The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States of America (the "**United States**" or "**U.S.**") or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby within the United States or to, or for the benefit of, U.S. persons. See "Plan of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of National Access Cannabis Corp., Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4, Telephone: 613-293-4817, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue January 4, 2019

NATIONAL ACCESS CANNABIS CORP.

$21,150,000 aggregate principal amount of 8.0% Convertible Secured Senior Debentures issuable upon deemed exercise of 21,150 Special Warrants

This short form prospectus (the "**Prospectus**") qualifies the distribution of $21,150,000 principal amount of 8.0% convertible secured senior debentures (the "**Debentures**") of National Access Cannabis Corp. (the "**Company**" or "**NAC**") issuable upon the deemed exercise of 21,150 special warrants (the "**Special Warrants**") previously issued on November 23, 2018 (the "**Closing Date**"), at a price of $1,000 per Special Warrant (the "**Offering Price**") to purchasers resident in certain provinces in Canada (and in jurisdictions outside of Canada in compliance with applicable laws therein) on a private placement basis pursuant to prospectus exemptions under applicable securities legislation (the "**Offering**"). The Special Warrants were issued pursuant to the terms of a special warrant indenture (the "**Special Warrant Indenture**") dated November 23, 2018 between the Company and TSX Trust Company, as special warrant agent thereunder (the "**TSX Trust**") and an agency agreement dated November 23, 2018 (the "**Agency Agreement**") among the Company and Cormark Securities Inc. (the "**Lead Agent**"), Canaccord Genuity Corp., Beacon Securities Limited, INFOR Financial Inc. and PI Financial Corp., as agents (collectively with the Lead Agent, the "**Agents**"). The Offering Price and other terms of the Offering were determined by arm's length negotiation between the Company and the Lead Agent, on behalf of the Agents. See "*Plan of Distribution*".

Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise, $1,000 principal amount of Debentures at no additional cost. Each Special Warrant not previously voluntarily exercised by the holder thereof shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, on the earlier of: (i) the date which is the third business day following the date on which the Company obtains a receipt for the (final) short form prospectus (the "**Qualification Date**"), and (ii) four months and one day following the closing of the Offering on November 23, 2018, being March 24. 2019. See "*Plan of Distribution*".

Pursuant to the Agency Agreement, the Company has agreed to use its commercially reasonable efforts to: (i) file this Prospectus under applicable securities laws in each of the provinces of Canada, other than Quebec, (the "**Qualifying Jurisdictions**"), as soon as possible following the Closing Date; (ii) satisfy all comments from the regulators in each applicable jurisdiction with respect to this Prospectus as soon as possible following receipt of such comments; and

(iii) to obtain a final receipt from the Ontario Securities Commission, as principal regulator, qualifying the distribution of the Debentures in the applicable jurisdictions as soon as possible and in any event prior to 4:59 p.m. (Toronto time) on January 7, 2019 (the "**Qualification Deadline**"). See "*Plan of Distribution*".

In the event that the Company does not obtain a receipt for a (final) short form prospectus from the Ontario Securities Commission, as principal regulator, qualifying the distribution of the Debentures in the Qualifying Jurisdictions prior to the Qualification Deadline, each Special Warrant shall thereafter entitle the holder thereof to receive, without payment of any additional consideration, 1.1 Debentures (in lieu of 1.0 Debenture) upon exercise or deemed exercise thereof (the "**Penalty Provision**"). This Prospectus also qualifies the distribution of the 2,115 Debentures (the "**Penalty Debentures**") issuable pursuant to the Penalty Provision, if applicable, for a total of up to 23,265 Debentures. Unless the context otherwise requires, all references herein to the "Offering" and the "Debentures" shall include any Penalty Debentures that may be issued in connection with the Penalty Provision. See "*Plan of Distribution*".

The Debentures are issuable pursuant to a convertible debenture indenture dated November 23, 2018 (the "**CD Indenture**") between the Company and TSX Trust, as trustee thereunder. The Debentures will have a maturity date of November 30, 2021 (the "**Maturity Date**") and will bear interest at 8.0% per annum from the Closing Date, payable semi-annually in arrears on November 30 and May 31 of each year commencing May 31, 2019. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months. The May 31, 2019 interest payment will represent accrued interest for a period from the Closing Date to, but excluding, May 31, 2019, which will be equal to $41.78 for each $1,000 principal amount of Debenture.

Subject to certain conditions, the Debentures will be convertible, at the holder's option, into common shares (the "**Debenture Shares**") of the Company at the price of $1.08 per Debenture Share (the "**Conversion Price**") at any time prior to the close of business on the earlier of: (a) the business day immediately preceding the Maturity Date; and (b) the date fixed for redemption pursuant to the CD Indenture. See "*Description of Securities Being Distributed*".

Subject to any required regulatory approval and provided no event of default has occurred and is continuing, if, at any time after the day that is four months and one day from the Closing Date and prior to the Maturity Date, the volume weighed average trading price of the common shares of the Company (the "**Common Shares**") on the TSX Venture Exchange ("**TSXV**") (or such other recognized stock exchange on which the Common Shares are listed for trading) for ten (10) consecutive trading days exceeds $1.57, the Company may force the conversion of all but not less than all of the principal amount of the then outstanding Debentures at the then applicable Conversion Price, upon giving the holders of Debentures not less than thirty (30) days advance written notice. Upon a change of control of the Company, the Company shall be required to offer to purchase all (or any portion actually tendered to such offer) of the Debentures then outstanding within 30 days following the change of control, at a price equal to 105% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon. If 90% or more of the principal amount of the Debentures outstanding on the date of the notice of the change of control have been tendered for redemption, the Company will have the right to redeem all of the remaining Debentures at such price (the "**90% Redemption Right**"). See "*Description of Securities Being Distributed*".

The earnings coverage ratios with respect to the Debentures are less than one-to-one. The Company would have required an increase of $10,908,521 in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the fiscal year ended August 31, 2018. See "*Earnings Coverage Ratios*".

The Common Shares are listed and posted for trading on the TSXV under the symbol "META". On October 22, 2018, the last trading day prior to the date that the Company entered into the engagement letter with the Lead Agent with respect to the Offering, the closing price of the Common Shares on the TSXV was $0.86. On January 3, 2019, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the TSXV was $0.62.

There is no market through which the Special Warrants or Debentures may be sold, and purchasers may not be able to resell the Special Warrants or the Debentures qualified for distribution under this Prospectus. Although the TSXV has conditionally approved the listing of the Debentures qualified for distribution under this Prospectus, such listing is subject to the Company fulfilling all of the listing requirements of the TSXV. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. This may affect the pricing of the Special Warrants and the Debentures in the secondary markets, the transparency and availability of trading prices, the liquidity of the Special Warrants and the Debentures and

the extent of issuer regulation. An investment in the Debentures is speculative and involves a significant degree of risk. See "*Risk Factors*".

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Debentures upon deemed exercise of the Special Warrants.

	Price to the Public	Agents' Fee [(1)]	Net Proceeds to the Company[(2)(3)]
Per Special Warrant	$1,000	$60.00	$940.00
Per Special Warrant (President's List)	$1,000	$0.00	$1,000.00
Total	$21,150,000	$669,000	$20,481,000

Notes:

(1) Pursuant to the Agency Agreement, the Company paid to the Agents a cash commission equal to 6.00% of the gross proceeds realized by the Company in respect of 11,150 Special Warrants sold pursuant to the Offering (the "**Agents' Fee**"). The Company paid no cash commission to the Agents in respect of 10,000 Special Warrants sold by the Agents to certain purchasers designated by the Company (the "**President's List**"). See "*Plan of Distribution*".

(2) After deducting the Agent's Fee, but before deducting the expenses of the Offering and the qualification for distribution of the Debentures, estimated to be approximately $300,000, which will be paid out of the gross proceeds of the Offering.

(3) The distribution of the Debentures upon exercise or deemed exercise of the Special Warrants will not result in any proceeds being received by the Company.

An investment in the securities of the Company is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "*Risk Factors*" and "*Cautionary Statement Regarding Forward Looking Information*". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

The Offering was conducted through a book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") and the Special Warrants were deposited with CDS on the Closing Date in electronic form. The Debentures to be issued upon exercise or deemed exercise of the Special Warrants and the Debenture Shares to be issued upon conversion of the Debentures will also be held by CDS and a purchaser of the Special Warrants will not receive a definitive certificate representing the Debentures or the Debenture Shares, except in certain limited circumstances. See "*Plan of Distribution*".

The TSXV has approved the Offering, including the listing of the Debentures and Debenture Shares. See "*Plan of Distribution*".

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Special Warrants, the Debentures and the Debenture Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Special Warrants, the Debentures or the Debenture Shares.

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by Borden Ladner Gervais LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP.

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars.

The Company's head office is located at Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4. The Company's registered office is located at Suite 1900, 520 3rd Avenue SW Calgary, Alberta, T2P 0R3.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein contain information which may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information involves statements that are not based on historical information, but rather relate to future operations, strategies, financial results or other developments. Forward-looking information is necessarily based upon estimates and assumptions, which are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which, regarding future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking information made by or on the Company's behalf. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. All factors should be considered carefully and investors should not place undue reliance on the Company's forward-looking information as actual results may vary. Examples of such forward-looking information within this Prospectus include, but are not limited to, statements relating to: expected use of proceeds of the Offering, expected timing of the qualification of the Debentures, completion and timing of further strategic acquisitions and investments, product demand, competition and government regulations. Forward-looking information is made based on management's beliefs, estimates and opinions and is given only as of the date of this Prospectus. The Company undertakes no obligation to update forward-looking information if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law.

Forward-looking information reflects the Company's current views with respect to expectations, beliefs, assumptions, estimates and forecasts about the Company's business and the industry and markets in which the Company operates. Forward-looking information is not a guarantee of future performance and involves risks, uncertainties and assumptions, which are difficult to predict. Assumptions underlying the Company's expectations regarding forward-looking statements or information contained in this Prospectus include, among others, the Company's ability to comply with applicable governmental regulations and standards, the Company's success in implementing its strategies and achieving its business objectives, the Company's ability to raise sufficient funds from equity or other financings in the future to support its operations, and general business and economic conditions. The foregoing list of assumptions is not exhaustive.

Persons reading this Prospectus are cautioned that forward-looking information is only a prediction, and that the Company's actual future results or performance are subject to certain risks and uncertainties including:

- performance of the Company's business and operations;
- the Company's expectations regarding revenues, expenses and anticipated costs;
- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business and continue operations;
- industry growth trends, including with respect to projected sales;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's plans with respect to the payment of dividends;
- the impact of general business and economic conditions;
- whether the Company will continue to be in compliance with regulatory requirements; and
- whether the key personnel will continue their employment with the Company.

Some of the important risks and uncertainties that could affect forward-looking statements are described in this Prospectus. Should one or more of these risks and uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Material factors or assumptions involved in developing forward-looking statements include, without limitation, that:

- the laws, regulations and guidelines generally applicable to the medical cannabis industry not changing in ways currently unforeseen by the Company;
- the proposed laws, regulations and guidelines generally applicable to the adult-use recreational cannabis industry not changing in ways currently unforeseen by the Company;
- future clinical research studies on the effects of medical cannabis do not lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the medical cannabis industry and market in Canada will continue to grow, and the Company will be successful in this new industry and market;
- the Company has the ability to compete for market share with other companies, including licensed producers, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company;
- the Company is able to attract or retain key personnel with sufficient experience in the medical cannabis industry, and has the ability to attract, develop, and retain additional employees required for the Company's development and future success;
- there is adequate cannabis supply available to warrant the Company's expansion plans;
- the Company has been approved by the Manitoba Liquor and Gaming Authority (the "**LGA**") to open eight additional retail cannabis location in Manitoba pending final inspection, with leases in place for seven of these locations;
- the Company will have sufficient working capital and be able to secure additional funding necessary for the continued development of its products and business interests;
- the Company will successfully integrate acquired businesses and assets; and
- the Company will continue to be successful in acquiring assets and investments that strategically fit and at competitive prices.

This list is not exhaustive of the factors that may affect any of forward-looking statements or information of the Company. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management of the Company to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*Risk Factors*".

Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such statements were made, no assurances can be given as to future results, approvals or achievements. The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in each of the provinces of Canada, other than Quebec, are available at www.sedar.com and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- the annual information form of the Company for the year ended August 31, 2017 dated November 2, 2018 (the "**Annual Information Form**");
- the audited consolidated financial statements of the Company, and the notes thereto for the years ended August 31, 2018 and 2017, together with the auditors' report thereon;
- the management's discussion and analysis of the financial condition and results of operations of the Company for the year ended August 31, 2018;
- the management information circular of the Company dated October 17, 2018 distributed in connection with the Company's annual and special meeting of shareholders held on November 20, 2018 (the "**Management Information Circular**");
- the material change report dated September 1, 2017 regarding the closing of the business combination transaction involving 1119622 B.C. Ltd. and National Access Clinic Corp., as the Qualifying Transaction (as such term is defined within the meaning of TSXV Policy 2.4) of the Company;
- the material change report dated January 26, 2018 regarding the announcement of a non-brokered private placement of 10,909,091 units of the Company at a price of $0.55 per unit, for gross proceeds of up to $6,000,000;
- the material change report dated February 7, 2018 regarding the closing of a non-brokered private placement of 10,909,091 units of the Company at a price of $0.55 per unit, for gross proceeds of up to $6,000,000;
- the material change report dated April 12, 2018 regarding the acquisition of a 51% ownership stake in Cannabis Care Group Inc.;
- the material change report dated April 13, 2018 regarding the strategic alliance with The Second Cup Ltd. ("**Second Cup**");
- the material change report dated May 29, 2018 regarding the $1,000,000 investment in NAC Bio Inc. ("**NAC Bio**");
- the material change report dated May 31, 2018 regarding the $7,000,000 secured loan to The Green Company Limited ("**NewLeaf**") and the subscription for a $1.85 million 5.45% secured convertible debenture of NewLeaf;
- the material change report dated September 11, 2018 regarding the acquisition by NAC of NewLeaf;
- the material change report dated October 29, 2018 regarding the announcement of the Offering and the closing of the first tranche of the Company's non-brokered private placement financing of Common Shares for gross proceeds to the Company of $20,000,000;
- the material change report dated November 23, 2018 regarding the announcement of the closing of the Offering;
- the material change report dated December 3, 2018 regarding the acquisition by the Company of all of NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership;

- the December 6, 2018 supplement to the statement of Executive Compensation contained in the Management Information Circular, to correct an inadvertent overstatement concerning the terms of the executive employment agreement between the Company and its Chief Executive Officer, Mark Goliger (See "*The Company – Recent Developments*"); and

- the material change report dated December 19, 2018 regarding the receipt by the Company of a $9,000,000 loan from the Opaskwayak Cree Nation (the "**OCN**").

Material change reports (other than confidential reports), business acquisition reports, annual financial statements, interim financial statements, the associated management's discussion and analysis of financial condition and results of operations and all other documents of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of National Access Cannabis Corp., Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4, Telephone: 613-293-4817.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed under the Company's profile on SEDAR at www.sedar.com after the date of this Prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated by reference into this Prospectus.

SUMMARY DESCRIPTION OF BUSINESS

The Company was incorporated as "Brassneck Capital Corp." ("**Brassneck**") on June 15, 2015 pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Alberta). Prior thereto, National Access Cannabis Corp. ("**Old NAC**") was incorporated pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (British Columbia) on November 14, 2014. On August 30, 2017, Old NAC completed a reverse takeover of Brassneck (the "**RTO**") pursuant to the terms of an amalgamation agreement dated July 10, 2017 (the "**Amalgamation Agreement**") among Brassneck, Old NAC and 1119622 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Brassneck. In accordance with the terms of the Amalgamation Agreement, Subco merged with Old NAC under the provisions of the *Business Corporations Act* (British Columbia) and the combined entity, National Access Clinic Corp., became a wholly-owned subsidiary of the Company. In connection with the RTO, Brassneck completed a share split (the "**Share Split**") of all of its issued and outstanding common shares and all outstanding options and warrants to purchase common shares on the basis of 1.205 post-Share Split common shares for every 1 pre-Share Split common share. Upon completion of the RTO, Common Shares were issued to former shareholders of Old NAC, on a

one-for-one basis and the business and shareholders of Old NAC became the business and shareholders of the Company. The Company filed Articles of Amendment on August 30, 2017 and changed its name to "National Access Cannabis Corp."

In connection with the RTO, the TSXV required that the Company deliver an undertaking (the "**TSXV Undertaking**") confirming that, while listed on TSXV, the Company will only conduct the business of owning and operating medical clinics that aim to connect Canadians with cannabis producers licensed under the *Access to Cannabis for Medical Purposes Regulations*, SOR/2013-230 ("**ACMPR**") in accordance with applicable law, unless prior approval is obtained from TSXV. In accordance with the TSXV Undertaking, in the fall of 2017, the Company received TSXV approval to pursue business opportunities in Canada's recreational retail cannabis sector.

The head office of the Company is located at Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4. The registered office of the Company is located at 1900, 520 3rd Avenue SW, Calgary, Alberta, Canada T2P 0R3.

The Common Shares are listed on the TSXV under the trading symbol "META". The Company is currently a reporting issuer in Canada in the Provinces of British Columbia, Alberta and Ontario.

The following chart illustrates, as of the date hereof, the Company's material subsidiaries, including their respective jurisdiction of incorporation/governing law and the percentage of voting securities beneficially owned, directly or indirectly, by the Company.

Company Name	Ownership interest by NAC	Classification (Subsidiary, associate, other)	Jurisdiction of Incorporation
National Access Clinic Corp.	100%	Subsidiary	British Columbia
National Access Canada Corp.	100%	Subsidiary	Canada
National Access Cannabis Medical Inc.	51%	Subsidiary	Ontario

All references in this Prospectus to the Company or NAC also include references to the subsidiaries of the Company as applicable, unless the context requires otherwise.

Description of the Business of the Company

Through its Canada-wide network of care centres, pharmacies, NAC Bio's clinical research division, NewLeaf recreational cannabis retail stores and META Cannabis Supply Co.™ recreational cannabis retail stores ("**META**"), NAC enables patients and the public to gain knowledge and access to Canada's network of authorized licensed producers of cannabis.

The Company has no current intention of becoming a licensed producer and has no current intention to apply for a license to produce cannabis under the *Cannabis Act* (Canada). In the event the Company becomes a licensed producer, conflicts of interest may arise between the Company's current medical clinic business and its future licensed producer business. In the context of vertically-integrated companies in the cannabis sector where there may be material relationships or transactions that involve conflicts of interest, whether actual or perceived, the Company will disclose any commissions, incentives, or other fees earned by the Company, its clinics, physicians, or other consultants. The Company will also disclose risks associated with conflicts of interest, including but not limited to situations where the Company, its clinics, physicians, or other consultants are paid a commission from a licensed producer or dispensary that is related to the Company.

The Company does not engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018. To the extent that the Company pursues international expansion, it will only conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and applicable Canadian regulatory and stock exchange obligations.

Retail Cannabis Stores

NAC plans to actively pursue as many adult-use retail licenses as possible in any province that allows for private retailers. The Company is currently operating and constructing additional retail locations to sell and distribute cannabis and cannabis related products under its recreational cannabis brands META and NewLeaf 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, and in accordance with the business plan of the Company it aims to expand to approximately 100 cannabis retail locations by September 2019. To date, the Company has not identified all of the approximately 100 cannabis retail locations that it intends to open by September 2019. The Company's expansion plans are subject to additional financing, appropriate lease arrangements for each potential cannabis retail location and required approvals from the applicable regulatory authorities in each of the Provinces in which the Company plans to open cannabis retail locations. The Company does not currently have sufficient cash resources to fund the capital expenditure buildout costs and start-up inventory costs to expand to approximately 100 cannabis retail locations, and in order to achieve this goal, additional financing will be required. As well, certain regulatory authorities in the Provinces in which the Company plans to open cannabis retail locations have limited the number of retail cannabis licenses available for issuance which may prohibit the Company from achieving its expansion goals. If the Company is not able to obtain adequate financing, enter into appropriate lease arrangements or obtain applicable regulatory approvals to meet its expansion goals, it will scale back its expansion plans accordingly. There can be no assurance that additional debt or equity financing will be available to meet the Company's requirements or, if available, on favorable terms, and there can be no assurance that the Company will be able to enter into appropriate lease arrangements or receive the applicable regulatory approvals to meet its expansion goals at this time. See "*Licenses and Regulations – Provincial Regulatory Framework*", "*Risk Factors – Additional Financing*", "*Risk Factors – Plans for Growth*" and "*Risk Factors – Regulatory Risks*".

The following table outlines, in summary form, the regulatory status of adult use retail cannabis in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and the business activities of the Company in the respective provinces.

Province	**Regulatory Framework**	**NAC's Retail Activities**	**Required Authorizations**
British Columbia	Retail sale of adult use cannabis in the Province of British Columbia is regulated by the *Cannabis Control and Licensing Act* and the *Cannabis Distribution Act.* The *Cannabis Licensing Regulation* of the *Cannabis Control and Licensing Act* regulates licensing of adult use cannabis storefronts. The Liquor and Cannabis Regulation Branch ("**LCRB**") issues retail licenses both to private and public licensees. Federal licensees may sell cannabis products to the LCRB. The LCRB may sell cannabis products to licensees. The LCRB operates the sole regulated online source of cannabis in British Columbia. The *Cannabis Licensing Regulation* limits the total number of licenses per retailer to eight.	The Company has applied for five retail cannabis licenses and intends to apply for a total of eight retail cannabis licenses.	Municipal government recommendation to the LCRB Retail cannabis license from the LCRB

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	The *Cannabis Control and Licensing Act* limits relationships between federal producers and licensed retailers. See "*Licenses and Regulations – Provincial Regulatory Framework – British Columbia*"		
Alberta	Retail sale of adult use cannabis in the Province of Alberta is regulated by the *Gaming, Liquor and Cannabis Act* and the *Gaming, Liquor and Cannabis Regulation*. Alberta Gaming, Liquor and Cannabis ("**AGLC**") issues retail licenses to private entities. Cannabis suppliers may sell cannabis products to the AGLC. The AGLC may sell cannabis products to a holder of a cannabis license. The AGLC operates the sole regulated online source of cannabis in Alberta. The *Gaming, Liquor and Cannabis Regulation* limits any one person or group of persons (groups as characterized by the AGLC), to a 15% market share in the Province of Alberta. For example, if 250 licenses are granted, one entity could hold a maximum of 37 licenses. While 250 licenses is not a ceiling for Alberta, with this estimated number of licenses, the AGLC has capped the number of licenses for one person or group of persons at 37. The *Gaming, Liquor and Cannabis Act*, the *Gaming, Liquor and Cannabis Regulation* and the AGLC Cannabis Retail Store Handbook each limit relationships between cannabis suppliers and a holder of a cannabis license. See "*Licenses and Regulations – Provincial Regulatory Framework – Alberta*"	The Company has submitted to the AGLC 33 retail cannabis store license applications with four additional applications to follow. Fourteen of the Company's retail cannabis store license applications have been licensed by AGLC approval and are operating under the NewLeaf brand.	Municipal development permit Municipal business license AGLC retail cannabis license
Saskatchewan	Retail sale of adult use cannabis in the Province of Saskatchewan is regulated by *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations.* A lottery process was applied to select 51 entities to apply for retail cannabis permits. The Saskatchewan Liquor and Gaming Authority issues permits to private entities for operating retail cannabis stores and selling cannabis online, for supplying cannabis (which also requires a processing license under the *Cannabis Act*) and for commercial distribution of cannabis. Supply permitees may sell cannabis products directly to retail permitees or distribution permitees.	The Company is currently exploring acquisition and partnership opportunities in the Province of Saskatchewan.	Municipal business license SGLA retail cannabis permit

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	See "*Licenses and Regulations – Provincial Regulatory Framework – Saskatchewan*"		
Manitoba	Retail sale of adult use cannabis in the Province of Manitoba is regulated by *The Liquor, Gaming and Cannabis Control Act* and the *Cannabis Regulation*. The *Cannabis Regulation* regulates licensing of adult use cannabis storefronts. The LGA regulates, licenses, inspects and audits Manitoba's privately-held adult use cannabis storefronts and online sales platforms. The Manitoba Liquor and Lotteries Corporation ("**MBLL**") administers central order processing and manages distribution to licensed private sector retailers. The province limits any one individual licensee to a maximum of 10 retail cannabis locations. Additional retail cannabis locations may be operated through partnerships with Manitoba First Nations groups. See "*Licenses and Regulations – Provincial Regulatory Framework – Manitoba*"	The Company is currently operating two licensed retail cannabis stores and an additional four licensed retail cannabis stores through partnerships with Manitoba First Nations. The Company plans to open and operate eight additional retail cannabis stores in 2019.	Retailer Agreement required per location signed between Proponent and Manitoba Growth, Enterprise and Trade. Occupancy permit required
Ontario	Retail sale of adult use cannabis in the Province of Ontario is regulated by the *Cannabis License Act, 2018* and the *General Regulation*. Alcohol and Gaming Commission of Ontario ("**AGCO**") issues retail operator licenses. Licensed producers may sell cannabis products to the AGCO. The AGCO may sell cannabis products to a holder of a retail operator license. The AGCO issues retail licenses to private licensees. The AGCO operates the sole regulated online source of cannabis in Ontario - Ontario Cannabis Store (the "**OCS**"). The OCS will remain the sole source of adult use cannabis in Ontario until April 1, 2019. The OCS will also be the exclusive wholesaler of cannabis to holders of retail operator licenses. In view of the cannabis shortage, the AGCO is initially restricting licensing to 25 applicants who will be selected in a lottery process. Additional details on the lottery process are expected to publish on January 4, 2019. See "*Licenses and Regulations – Provincial Regulatory Framework – Ontario*"	The Company intends to participate in the lottery process.	AGCO retail operator license Municipal approvals and permits All municipalities within the province will be provided with a one-time option to opt out to restrict licensing to retail stores in their municipality. The opt-out date is set for January 22, 2019.

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 e-commerce 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 hereof, the Company has submitted to the AGLC 33 retail cannabis store license applications with four additional applications to follow. To date, 14 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 26 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.

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.

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 proponents to operate privately owned retail cannabis stores in the Province of Manitoba during the Province's request for proposals that ran from November 7, 2017 to December 22, 2017 (the "**RFP**"), conditional upon several factors, including completing necessary agreements and providing the required documentation as outlined in the RFP. Each of the four proponents were awarded the opportunity to open a total of 10 corporate retail cannabis store locations. The Government of Manitoba required that each of the 10 corporate locations to be opened by a successful proponent enter into a retail organization agreement (a "**Retail Organization Agreement**") with the Province of Manitoba. Manitoba's Minister of Growth, Enterprise and Trade is the designated signatory for the Retail Organization Agreements. Under the terms of its Retail Organization Agreements with the Manitoba Provincial Government, a proponent is permitted to build, develop and operate retail cannabis stores in approved municipalities in the Province of Manitoba. As the Retail Organization Agreements follow a standard form for each recipients' ten possible corporate retail cannabis stores, the Company refers to its Retail Organization Agreement as the "**Master Retailer Agreement**". The Master Retailer Agreement acts as the binding terms between the Manitoba Government and Company, however, it is separate and distinct from the Company's provincial cannabis licenses. Manitoba retail cannabis licenses are issued by LGA. **In order to receive a license from LGA, a proponent must first have an executed a Retail Organization Agreement in place.**

The following is a summary of the key terms of the Master Retailer Agreement:

- no expiry date or specific term. The Master Retailer Agreement can only be terminated for breach and, therefore, does not contain renewal provisions;

- NAC must deliver a $50,000 letter of credit to the province in connection with each proposed retail cannabis location;

- the Company can sell cannabis purchased through the Manitoba Liquor and Lottery Corporation;

- the Company must pay for cannabis purchased through the Manitoba Liquor and Lottery Corporation upon placing the product order;

- each of the Company's retail location must be open a minimum number of hours a week;

- the Company must remit 6% of revenue to from a particular retail cannabis store to the Province of Manitoba as a social responsibility fee; and

- each of the Company's ten potential retail cannabis locations must be approved by the LGA.

Upon obtaining a cannabis retail license for a particular retail location from the LGA, the Company is legally permitted to sell cannabis at that particular location. In order for the LGA to issue a license, retail stores must have their physical set-up (e.g. security system, cannabis storage and display) and other government approvals (e.g. municipal occupancy permit) in place, in addition to an executed Master Retailer Agreement.

During the Province of Manitoba's first phase of retail cannabis implementation, NAC has contractual rights 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. The Company currently has four Manitoba stores open in partnership with Frist Nations on First Nations lands, as well as two additional corporate stores. Subject to the availability of reliable cannabis supply, the Company expects to open a further eight retail cannabis stores in within the first half of 2019.

One First Nation's store is open and it is located on Opaskwayak Cree Nation land. It is anticipated that each First Nation's store will be owned and operated as part of limited partnerships entered into with NAC and various First Nations in December of 2017. 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 of the date hereof, NAC has submitted 5 retail cannabis license applications in the Province of British Columbia. The *Cannabis Licensing Regulation* of the Province of British Columbia limits the total number of licenses per retailer to eight. NAC intends to apply for 3 more retail cannabis licenses in the Province of British Columbia for a total of 8 license applications. There is no assurance that any of the 5 applications filed by the Company, or any future applications filed by the Company, will be issued under the *Cannabis Control and Licensing Act*.

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. The Company intends to establish retail operations in Ontario, however, such operations may be operated by way of a franchise model or other structure as the 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 evaluating potential retail possibilities and store locations throughout the province. There can be no guarantee that the

Company will be granted a retail cannabis operating license. If granted a license, or after licensing opens to more participants, there is no guarantee that the Company will be eligible for a retail license.

Medical Clinics

In 2017, NAC operated eleven clinics. Currently, NAC operates two clinics in Ontario and one clinic in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Nova Scotia, for a total of seven clinics.

The Company 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. The Company's 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 for eligibility.

Across its seven clinics, the Company employs a total of 19 cannabis care professionals, including: five Cannabinoid Therapy Educators, ten Cannabinoid Therapy Assistants and four clinic managers or medical office assistants. In addition, to support its seven medical clinics, the Company maintains affiliate relationships with four nurse practitioners and nine physicians across the provinces of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia.

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. The Company's 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 an affiliated physician or nurse practitioner reviews the file with clinic staff before the patient's consultation. If the consultation with the affiliated 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. Clinic 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.

Potential Conflicts of Interest

The Company has over twenty contracts ("**LP Contracts**") with licensed producers under the ACMPR, including Aphria Inc., CannTrust Inc. and VIVO Cannabis Inc., who have either directly or indirectly invested in the Company (see "*Principal Shareholders*"). The ACMPR has now been replaced by the *Cannabis Act* (Canada). The LP Contracts govern the business relationship between the Company and the licensed producer. Pursuant to the LP Contracts, the Company is paid a commission which is paid in cash by cheque or electronic funds transfer. Each of the 20 licensed producers provide medical cannabis educational materials to the Company's clinics and clinic staff provides these educational materials to their patients if appropriate, in addition to supplemental education. The educational information specific to an individual licensed producer has the licensed producer's logo and contact information on it, and may discuss the features of that licensed producer's specific cannabis strains. The Company also uses several forms of supplemental education material, some of which is proprietary content created and branded by the Company.

If appropriate, the Company provides assistance with coordinating patient registration with Health Canada approved licensed producers. Once registered, patients place orders for a cannabis product directly with the licensed producers. The Company receives a commission from each licensed producer equal to 15%-20% of the retail price paid by the patient for such cannabis product. The commission is paid by the licensed producers directly to the Company after each patient has placed an order with the respective licensed producer, which is based on the patient registration that the Company previously provided assistance with coordinating. The commissions received by the Company were a primary source of revenue for the Company for the financial year ended August 31, 2018. However, these commissions are not expected to be a significant source of revenue for the Company in the near future as revenue from the Company's retail operations are expected to become the primary source of revenue for the Company. No physician, caregiver or employee of the Company receives any commissions, incentives, or other fees from licensed producers.

The Company's clinics operate under municipal business licenses, which the Company and clinics maintain in good standing. The Company 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.

Other than as disclosed herein, the Company confirms that: (i) it has no relationship with any cannabis dispensaries or other cannabis distributors; (ii) it does not hold any rights to receive equity from licensed producers; and (iii) there are no cross-directorships with any licensed producers. In addition, there is currently no equity ownership, cross directorship or other relationship which gives rise to conflict of interest issues or related party issues between the Company and any licensed producer, distributor, or dispensary, however, the Company continues to explore new business opportunities on a daily basis.

See "*Risk Factors – Potential Conflicts of Interest*".

Pharmacy Medical Cannabis Management System

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 141 pharmacies. 122 of NACM's contracted pharmacies are located in Ontario, 17 are located in British Columbia and one each in Alberta and Saskatchewan. The Company does not directly employ or contract with any caregivers at its partner pharmacies.

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.

Until pharmacies can dispense on site, NACM will generate revenue for the services it provides at partner pharmacies through the commissions 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 R&D-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 data-driven 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.

Recent Developments

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.

Pursuant to a strategic relationship agreement dated April 11, 2018 between Second Cup and NAC (the "**Strategic Agreement**"), the parties have agreed to collaborate on:

- the application by NAC for retail licenses across Canada covering certain premises currently occupied by Second Cup coffee franchises (each, an "**SC Store**");

- the design, layout and development of NAC's retail strategy in respect of applicable SC Stores that are to be converted into cannabis retail locations operated and managed by NAC (each, a "**Converted Store**");

- the negotiation with Second Cup franchisees and the head landlords in respect of converting applicable SC Stores into cannabis retail locations or cannabis vaping lounges to be co-owned by NAC and Second Cup in equal shares (and potentially the applicable franchisee) and operated by NAC; and

- the conversion of applicable SC Stores into cannabis retail locations or cannabis vaping lounges to be co-owned by NAC and Second Cup in equal shares (and potentially the applicable franchisee) and operated by NAC.

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 SC Store to an NAC-branded recreational cannabis dispensary is conditional on such SC Stores obtaining a retail license from provincial regulators and the approval of Second Cup and the applicable franchisees and landlords.

Prior to making an application in respect of any SC Store, NAC will obtain the written approval of Second Cup for such application. In addition, NAC has agreed not to have any contact with a head landlord or a franchisee occupying an SC Store without the express prior written consent of Second Cup.

Once Second Cup and NAC have agreed that one or more SC Stores are suitable candidates for conversion, Second Cup has agreed to use its commercially reasonable efforts to cooperate and work collaboratively with NAC in its preparation of applications for retail licenses and throughout the review and approval process by applicable municipal and provincial regulatory authorities. NAC will be solely responsible for the management of, and all costs associated with, the application process for retail licenses; provided that Second Cup has agreed to reimburse NAC for its pro rata share of all costs associated with the application process for any retail license granted in respect of an SC Store that is converted into a retail cannabis store. Any cannabis retail store or cannabis vaping lounge opened up at a converted SC Store will be branded and operated by NAC.

Before the sale of any cannabis products can occur in a Converted Store, regulatory approvals at the federal, provincial and municipal level will be required. The federal requirements will include that the cannabis product be (a) regulated for sale in the recreational use market, (b) processed by a licensed processor from cannabis cultivated by a licensed cultivator, (c) manufactured in accordance with good production practices or other applicable quality standards, and (d) packaged and labelled, all in compliance with the *Cannabis Act* (Canada) and its regulations. At the provincial level, the Converted Store will have to be licensed to sell adult-use cannabis. At the municipal level, the Converted Store will have to be permitted to do business in accordance with the applicable federal and provincial laws.

There can be no assurance that (i) Second Cup and NAC will agree on suitable candidates for conversion, or, (ii) having identified specific SC Stores, that NAC will be successful in applying for retail licenses for any such SC Store. See "*Risk Factors – The Success of the Strategic Alliance with Second Cup Depends on the Issuance of Retail Licenses*".

In the event the applicable provincial regulatory body grants a retail license for an SC Store, Second Cup has agreed to use its commercially reasonable efforts to facilitate the commencement of, and support the position of NAC during, commercial discussions among NAC, the head landlord and the franchisee of such SC Store with a view to opening up an NAC-branded retail cannabis store at such location. There can be no assurance that any such discussions will result in the conversion of an SC Store into a retail cannabis store. See "*Risk Factors – Conversion of an SC Store will Require Franchisee and Landlord Approval*".

Where a SC Store is converted to a retail cannabis store, the franchise agreement governing the SC Store will be terminated and Second Cup, NAC and the former franchisee will enter into an arrangement whereby ownership of the SC Store will be divided (subject to obtaining all required regulatory approvals) among the parties, with (i) the franchisee's ownership interest ranging from 0-33%, depending upon, among other factors, the quality of the franchise, financial capacity, length of term remaining on the applicable lease, the length of the term remaining under the franchise agreement and the location of the SC Store, and (ii) NAC and Second Cup each owning an equal share in such SC Store. Second Cup and NAC will each own a minimum of 33% of any Converted Store and NAC will have managerial, operational and branding control over the store. Following conversion, the retail cannabis store will sell only cannabis and related products and will no longer operate as a Second Cup café.

NAC will not charge any franchise fee to any Converted Store, and each Converted Store will operate on a management/franchise/royalty/marketing fee-free basis, it being understood and agreed that Converted Stores will be charged on a cost basis for the payment of their respective share of any central services provided by NAC to them.

NAC and Second Cup have agreed that all expenses, fees, penalties, obligations and/or costs relating to amending any applicable franchise agreement or lease agreement in order to facilitate the conversion of any mutually agreed SC Store into a cannabis retail location will be shared equally by NAC and Second Cup. All build-out costs associated

with the physical conversion of an SC Store into a retail cannabis store will be shared by the owners of such Converted Store (i.e. Second Cup, NAC and the applicable franchisee) in proportion to their respective ownership interests. The net earnings of a Converted Store will be shared among the owners of such store in accordance with their respective ownership interests.

Pursuant to the Strategic Agreement, NAC will maintain managerial and branding control over any Converted Stores, which is expected to include control over operational matters such as choosing which authorized licensed producers will supply cannabis to each Converted Store, or which cannabis products and cannabis accessories to purchase from provincial liquor control authorities.

The term of the Strategic Agreement will terminate October 17, 2019; provided that either the Company or Second Cup may terminate the Strategic Agreement prior to such date in the event of (i) an uncured material breach by the other party or (ii) the dissolution, liquidation, bankruptcy, insolvency or winding up proceedings are commenced in respect of the other party or upon the nomination of a trustee, sequestrator, liquidator or receiver in respect of the other party, or following the date that any event permitting a trustee, a sequestrator or a receiver to administer the affairs of the other party shall occur.

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. Effective October 26, 2018, the Company directed that 11,787,747 Common Shares be released from escrow in connection with the satisfaction of certain milestones.

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 certain subscription documents whereby Aphria Inc., CannTrust Inc., VIVO Cannabis Inc. and Zenabis Ltd. (the "**LPs**"), either directly or indirectly, subscribed, in aggregate, for up to $55 million in Common Shares in three tranches, subject to the terms and conditions of applicable subscription agreements and master investment agreements, including the achievement of future retail expansion milestones (the "**LP Financing**"). No conditions were attached to the initial $20 million of proceeds received by the Company as part of the first tranche of the LP Financing.

In order to participate in the LP Financing, NAC and each of the LPs entered into subscription agreements and master investment agreements 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 14, 2018, Derek Ogden's role as President of the Company ended in accordance with the fulfillment of the terms of his executive employment contract with the Company.

On November 23, 2018, the Company directed $20,244,830, being the net proceeds of the Offering after deducting the Agents' Fee and expenses, to the OCN in partial satisfaction of the Company's indebtedness to the OCN in respect of a loan agreement and related contractual commitments entered into by the Company and the OCN on July 19, 2018 (the "**OCN Loan Agreement**"). On November 22, 2018, the Company paid $6,471,367 to OCN, which, together with the net proceeds of the Offering paid to the OCN on the Closing Date, satisfied the entirety of the Company's indebtedness under the OCN Loan Agreement in the amount of $26,716,197, representing $25,000,000 drawn on the loan plus accrued interest and fees. See "*Use of Proceeds*".

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.

On December 6, 2018, the Company issued a press release to clarify certain terms of the executive employment agreement between the Company and its Chief Executive Officer, Mark Goliger, which were inadvertently overstated in the Company's Management Information Circular. In the press release, the Company clarified that Mr. Goliger's employment contract provides for the payment of an annual base salary of a minimum of $275,000, subject to conditional incremental increases as follows:

- if the annual revenue of the Company in the previous calendar year is greater than $50,000,000 but less than $100,000,000, Mr. Goliger will receive a base salary of $325,000 for that year;
- if the annual revenue of the Company in the previous calendar year is greater than $100,000,000 but less than $150,000,000, Mr. Goliger will receive a base salary of $360,000 for that year;
- if the annual revenue of the Company in the previous calendar year is greater than $150,000,000 but less than $200,000,000, Mr. Goliger will receive a base salary of $385,000 for that year;
- if the annual revenue of the Company in the previous calendar year is greater than $200,000,000 but less than $250,000,000, Mr. Goliger will receive a base salary of $410,000 for that year;
- if the annual revenue of the Company in the previous calendar year is greater than $250,000,000 but less than $300,000,000, Mr. Goliger will receive a base salary of $425,000 for that year; and
- if the annual revenue of the Company in the previous calendar year is greater than $300,000,000, Mr. Goliger will receive a base salary of $440,000 for that year.

On December 14, 2018 the Company announced that it completed a financing transaction whereby the OCN provided the Company with a $9,000,000 loan (the "**December OCN Loan**"). The December OCN Loan has a term of six months and bears interest at a rate of 8% per annum. The Company intends to use the proceeds of the December OCN Loan for the build-out of Western Canada and Ontario retail cannabis stores under its META retail brand.

In connection with the OCN's advancement of the December OCN Loan, the Company granted to the OCN 900,000 common share purchase warrants entitling the OCN to acquire, upon exercise thereof, one Common Share at a price of $1.08 until December 14, 2021.

LICENSES AND REGULATIONS

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 publicly-operated retail and online sales. Manitoba, Saskatchewan and Newfoundland & Labrador have opted for private sector retail and online sales. Ontario, Alberta and British Columbia have implemented hybrid approaches of public online sales and

private retail sales (in addition to public retail sales in British Columbia). 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 adult use retail locations.

Federal Regulatory Framework

On April 13, 2017 the Government of Canada released the *Cannabis Act* (Canada) (the "**Cannabis Act**"). On November 27, 2017, the House of Commons passed the *Cannabis Act*, and on June 19, 2018, the *Cannabis Act* was passed by the Senate of Canada. On June 20, 2018, the Government of Canada officially announced that the production, distribution and sale of cannabis for unqualified adult use would become legal on October 17, 2018, and subsequently on June 21, 2018, the *Cannabis Act* received royal assent. On June 27, 2018, Health Canada established the *Cannabis Regulations* (Canada) (the "**Cannabis Regulations**") under the *Cannabis Act*. The *Cannabis Regulations* include details related to cultivation, processing, packaging, labelling, distribution, sale, importation and exportation of cannabis and cannabis products. Provincial legislation regulates storefront and online sales of regulated cannabis products. See "Risk Factors". Some aspects of the *Cannabis Act* and *Cannabis Regulations* are summarized below.

Licenses, Permits and Authorizations

The *Cannabis Regulations* provide that all licenses issued under the *Cannabis Act* would be valid for a period of no more than five years. The *Cannabis Regulations* allow for outdoor and indoor commercial cultivation of cannabis. The *Cannabis Regulations* provide a licensing and permitting framework for cultivation, processing, packaging, labelling, distribution and sale of cannabis and cannabis products. The Minister of Health has introduced the Cannabis Tracking and Licensing System ("**CTLS**") to facilitate the federal licensing process.

Licenses issued under the repealed *Access to Cannabis for Medical Purposes Regulations* (Canada) ("**ACMPR**") of the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**") that were in force immediately before the *Cannabis Act* came into force are deemed to be licenses issued under the corresponding provisions of the *Cannabis Regulations* and any such licenses will continue in force until revoked or the expiration date is reached. For example, in the general course, a license for production and sale of dried marihuana and cannabis oil under the ACMPR was grandfathered into a standard cultivation license, a processing license and a sale for medical purposes under the *Cannabis Regulations*.

Similarly, the *Cannabis Act* generally provides that licenses pertaining to cannabis issued under the *Narcotic Control Regulations* (Canada) ("**NCR**") of the CDSA that were in force immediately before the *Cannabis Act* came into force are deemed to be licenses issued under corresponding provisions of the *Cannabis Act* that are appropriate for the particular NCR license, and any such licenses will continue in force until it revoked or expired. For example, a license issued under the NCR authorizing cultivation of cannabis for scientific purposes shall be a research license under the Cannabis Act.

Security Clearances

The *Cannabis Regulations* requires that certain individuals hold security clearances, including all individuals occupying key positions, individuals, such as shareholders, that have direct control over a license holder, and the officers and directors of any corporation having direct control over a license holder. In a notable departure from the ACMPR, officers and directors of a parent corporation must be security cleared. Security clearances issued under the ACMPR or the NCR are grandfathered into security clearances under the *Cannabis Regulations* by the *Cannabis Act*. The *Cannabis Regulations* provide a three-month grace period for current license holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019). On November 7, 2018, Health Canada issued a notice that the same grace period would be extended to applicants for an ACMPR license who were passed security clearance on October 17, 2018.

Cannabis Tracking System

Under the *Cannabis Act*, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The *Cannabis Regulations* provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. In addition to providing a portal for licensing, the CTLS allows federal licensees to track cannabis. Federal licensees are required to use the CTLS to submit monthly reports to the Minister of Health, among other things.

Cannabis Products

The *Cannabis Act* and the *Cannabis Regulations* regulated for sale dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis seeds. Edibles containing cannabis, cannabis concentrates and cannabis topicals are not currently regulated for sale. On December 20, 2018, the Government of Canada published *Proposed Regulations Amending the Cannabis Regulations (New Classes of Cannabis) and Proposed Order Amending Schedules 3 and 4 to the Cannabis Act* ("**Proposed Regulations**").

The purposes of the *Cannabis Act* includes providing for the licit production of cannabis to reduce illicit activities in relation to cannabis and providing access to a quality-controlled supply of cannabis. Product diversification will help the regulated market displace the illicit market. Additional dosage forms of cannabis made possible by the *Cannabis Regulations* relative to the ACMPR include pre-rolls and vaporization cartridges manufactured with dried cannabis. The Proposed Regulations will expand the classes of cannabis to include edibles containing cannabis, cannabis extracts and cannabis topicals. Cannabis oil and cannabis concentrates are proposed to be regulated together as cannabis extracts. The definition of cannabis extracts specifically excludes cannabis edibles and cannabis topicals.

Packaging and Labelling

The *Cannabis Regulations* require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The *Cannabis Regulations* require mandatory health warnings, standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the processor; (ii) a mandatory health warning, rotating between Heath Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol (other than for products with less than 0.3% w/w THC); and (iv) THC and CBD content. The *Cannabis Regulations* provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR, into medical sales channels only and not adult use sales channels. These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption.

Promotional Activity and Inducements

The *Cannabis Act* restricts the promotion of cannabis products and inducements related to cannabis, cannabis accessories and services related to cannabis.

Subject to a few exceptions, all promotions of cannabis, cannabis accessories and services related to cannabis are prohibited unless authorized by the *Cannabis Act*. Exceptions to the general prohibition on promotion are provided for information and brand preference promotions only. These exceptions are only available in certain contexts, such as age-gated websites and opt-in email newsletters. Content is also restricted to avoid content that could reasonably be viewed as appealing to young people, that communicates price or availability, or that could evoke positive or negative emotions. Endorsements, testimonials, and sponsorships of events or organizations are also prohibited regardless of the context. The definition of "promotion" is tied to activity that is intended to promote sale of cannabis, cannabis accessories or services related to cannabis.

The *Cannabis Act* prohibits inducements, including providing cannabis, cannabis accessories or services related to cannabis free of charge or as compensation for purchasing another product or service. Similarly, products or services that are not cannabis may not be offered in exchange for purchasing cannabis.

Cannabis for Medical Purposes

On October 17, 2018, medical cannabis access was moved from the ACMPR and the CDSA to the *Cannabis Regulations* and the *Cannabis Act*. The medical cannabis regulatory framework under the *Cannabis Regulations* remains substantively the same as it previously existed under the ACMPR, with some changes to make licensing of cultivation and processing uniform as between cannabis for adult use and medical sales, and improve patient access, (see Part 14 of the *Cannabis Regulations*).

Sale of medical cannabis remains federally regulated and in each case, sales can only be made by an entity that holds a license to sell under the *Cannabis Regulations* to clients that have registered a medical document with the licensed entity. Medical documents are effective for up to a year and allow an individual to register as a client to order from the federal licensee online or via telephone. Medical cannabis is shipped directly to the client. The amount an individual can order from a federal licensee is determined by a daily quantity defined in a medical document. Alternatively, individuals may file their medical document with Health Canada and obtain a registration certification to cultivate and process their own cannabis for personal medical use.

A license to sell is not required to sell between federally licensed entities, such as between licensed cultivators and processors, or provincial liquor authorities in the adult use market (or directly to retail permitees in Saskatchewan).

Provincial Regulatory Framework

The *Cannabis Regulations* regulate commercial production, packaging, labelling and other upstream aspects of cannabis and cannabis accessories. The *Cannabis Act* provides the basis for the *Cannabis Regulations* and also restricts promotional activity and inducements related to cannabis, cannabis accessories and services related to cannabis. The *Cannabis Act* allows the provinces and territories of Canada to regulate sale of cannabis. In addition, the provinces have constitutional authority to regulate other aspects of cannabis and cannabis use, as is the case for liquor and tobacco. Sale and distribution, minimum age requirements, restrictions on promotional activity beyond those of the *Cannabis Act*, locations where cannabis can be consumed, and a range of other matters are regulated differently by the provinces and territories. The governments of every Canadian province and territory have, to varying degrees, implemented regulatory regimes for the distribution and sale of cannabis for adult use purposes within their respective jurisdictions.

Changes to provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs and increased supply costs, in one or more jurisdictions. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of adult use cannabis, adding further uncertainty and risk to the Company's cannabis retail model. Municipal by-laws may restrict the number of adult use cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened. There is no assurance that if and when all provincial, territorial, regional and municipal regulatory frameworks, that have not yet already been enacted, are released, that the Company will be able to navigate such regulatory frameworks or conduct its intended business thereunder.

Ontario

On September 8, 2017, the Government of Ontario announced its proposed plan to give the existing Liquor Control Board of Ontario the oversight of retail sales of adult use cannabis in Ontario, upon the legalization of adult use cannabis in Canada. On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), to regulate the lawful use, sale and distribution of adult use cannabis by October 17, 2018.

On August 31, 2018, the Government of Ontario changed course on its original plans by announcing a hybrid system that will allow adult use cannabis to be sold in private retail stores while the province administers online sales. On September 27, 2018, the Government of Ontario introduced Bill 36 to amend the *Cannabis Act, 2017*, including a name change to the *Cannabis Control Act, 2017* and to introduce the *Cannabis License Act, 2018*. Related amendments to other acts were also included, including the *Ontario Cannabis Retail Corporation Act, 2017*, the *Liquor Control Act*, *Smoke-Free Ontario Act, 2017* and the *Highway Traffic Act*.

On November 14, 2018 the Government of Ontario released the *General Regulation* under the *Cannabis License Act, 2018*. The *General Regulation* which provides a licensing and regulatory regime for privately-owned and operated cannabis retail stores in Ontario, however, until April 1, 2019, adult use purchases may only be completed online through the OCS website operated by the AGCO.

On December 13, 2018, the Government of Ontario announced that, given the shortage of legal cannabis supply from federally licensed producers, the government will allow private cannabis retail stores to open in phases, by providing authority for the AGCO to license up to 25 stores in the initial phase. Pursuant to the *General Regulation*, the AGCO, under the supervision of a third-party fairness monitor, will implement a lottery system to determine who is eligible for the initial retail licenses in Ontario. Interested parties will be permitted to submit an expression of interest form online to the AGCO from January 7 to January 9, 2019. Expressions of interest will be put into a lottery pool for a draw. The AGCO will conduct a draw on January 11, 2019, with the results to be posted on the AGCO's website within 24 hours. As a result, the AGCO did not begin accepting applications for cannabis retail licenses and authorizations on December 17, as had previously been announced.

According to the Government of Ontario, the AGCO lottery system is a temporary model. The Government of Ontario announced that once it is satisfied with the reliability of the legal cannabis supply it will communicate next steps for additional private retail stores.

The OCS is currently the only legal retailer of adult use cannabis in the province and will remain the only legal online provider of adult use cannabis under the new framework. The OCS will also be the exclusive wholesaler of cannabis to private retail stores. All municipalities within the province will be provided with a one-time option to opt out to restrict licensing to retail stores in their municipality. The opt-out date is set for January 22, 2019.

Manitoba

The Liquor, Gaming and Cannabis Control Act and the *Cannabis Regulation* allow retail distribution of cannabis in Manitoba through privately owned storefronts and e-commerce sites. The announcement stated that all cannabis sold in retail stores must be purchased from the MBLL, which will source product from federally licensed producers. Provincial regulation of wholesaling, distribution and retail in Manitoba will be through the LGA. On December 5, 2017, the Government of Manitoba introduced Bill 11, *The Safe and Responsible Retailing of Cannabis Act (Liquor and Gaming Control Act and Manitoba Liquor and Lotteries* Corporation Act Amended), which contains the regulatory framework for adult use cannabis sales in Manitoba.

Manitoba has recently opened a Phase II request for proposal process, to provide for more market entrants into communities which are underserved.

Alberta

On November 30, 2017, the Government of Alberta passed Bill 26, *An Act to Control and Regulate Cannabis* ("**Bill 26**"), which contained the regulatory framework for adult use cannabis sales in Alberta. Bill 26 amended the *Gaming and Liquor Act* (Alberta), including with a name change to the *Gaming, Liquor and Cannabis Act*. On February 16, 2018, the Government of Alberta released amendments to the *Gaming and Liquor Regulation* (Alberta) establishing the *Gaming, Liquor and Cannabis Regulation*, which regulates the sale of adult use cannabis in Alberta, including the licensing of privately owned retail cannabis stores.

The *Gaming, Liquor and Cannabis Act* regulates the purchase, distribution, sale and consumption of adult use cannabis in the Province of Alberta. Under the Alberta Cannabis Act, cannabis distribution in Alberta is through a hybrid retail model under the oversight of AGLC. Private retailers can own and operate licensed cannabis storefronts, such as those operated by the Company. A retail cannabis store license from AGLC is required to operate a cannabis storefront. Online distribution of cannabis is restricted to a website operated by the AGLC.

Together, the *Gaming, Liquor and Cannabis Act*, the *Gaming, Liquor and Cannabis Regulation* and the AGLC Cannabis Store Handbook include the following restrictions:

- no one licensee can control more than 15% of the retail cannabis store licenses issued in Alberta and no group of licensees can control more than 15% of the retail cannabis store licenses in Alberta where, in the opinion of the AGLC, the retail cannabis store licenses are or would likely be subject to common control in any material respect;

- cannabis retailers are required to hire individuals that are over eighteen years of age, have successfully completed training requirements set by the AGLC, and that have passed a criminal background check;

- cannabis retail stores cannot be located within 100 meters of a provincial health care facility or a school;

- cannabis retail stores cannot be open outside the hours of 10 a.m. and 2 a.m.;

- cannabis retail stores must implement inventory tracking, count and sales systems and security measures, including alarms, video surveillance and secured product storage;

- cannabis consumption at retail cannabis stores is prohibited;

- cannabis suppliers and their representatives cannot offer, nor can retail cannabis licensees accept, perks such as loans, money, rebates, concessions, discounts, furnishings, storage equipment, fixtures, decorations, signs, supplies or anything of value; and

- transfers of retail cannabis store licenses are prohibited, and any change in ownership of a retail cannabis store business must be preapproved by the AGLC.

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, currently set at 37, will be reviewed in July of 2019.

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 the Company's remaining 19 retail cannabis store license applications, which have not already received approval by the AGLC, will be approved. There is no assurance that the Company will have an opportunity to file the remaining four licenses planned for Alberta.

British Columbia

British Columbia has a hybrid retail and distribution model that would allow private retail distribution of cannabis through storefronts, with public distribution of cannabis through an online platform and storefronts. The *Cannabis Control and Licensing Act* and the *Cannabis Licensing Regulation* regulate private storefronts. The *Cannabis Control and Licensing Act* includes provisions to limiting relationships between federal producers and licensed retailers by preventing licensing of entities that in the opinion of the LCRB are likely to favour the products one federal producer to the exclusion of another, or who is likely to promote sale of the federal producer's products because of a connection to the federal producer. These provisions have no history of enforcement and it is unclear how the LCRB will make a subjective determination about connections between federal producers and licensed retailers.

On April 26, 2018, the Government of British Columbia introduced Bill C-30, the *Cannabis Control and Licensing Act* and Bill C-31, the *Cannabis Distribution Act*, which along the *Cannabis Licensing Regulation* provide the legal framework for adult use cannabis sales in British Columbia. The *Cannabis Control and Licensing Act* and the *Cannabis Licensing Regulation*, among other things:

- establish rules governing cannabis retail stores similar in some respects to rules currently in place for liquor retail stores;

- allow public and private retailers will have similar operating rules;

- prohibit co-location of cannabis retail stores with any other businesses, such as liquor stores or pharmacies.
- set the minimum age to purchase, sell or consume adult use cannabis in British Columbia as 19;
- stipulate that adults will be allowed to possess up to 30 grams of cannabis in a public space;
- prohibit the use of cannabis on school properties and in vehicles;
- prohibit promotion of cannabis without a license to promote cannabis; and
- authorize adults to grow up to four cannabis plants per household, other than in properties that are used as day-cares, and requires that such plants not be visible from public spaces off the property.

The *Cannabis Control and Licensing Act* was passed on May 17, 2018 and subsequently received royal assent on May 31, 2018. The *Cannabis Control and Licensing Act* came into effect alongside the *Cannabis Licensing Regulation* on October 17, 2018. The *Cannabis Licensing Regulation* limits the total number of licenses per retailer to eight.

Saskatchewan

In Saskatchewan, *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations* allow private cannabis retailers to sell cannabis, cannabis accessories and ancillary items in standalone storefront operations and deliver province-wide. In addition to private cannabis retail shops, *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations* allow private sector to provide cannabis at the wholesale level, meaning the private sector will be permitted to source cannabis products from licensed producers and sell to private retailers, such as those proposed to be operated by the Company.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to the Offering, on the share and loan capital of the Company since August 31, 2018, the date of the Company's most recently filed financial statements. This table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

	As at August 31, 2018 before giving effect to the Offering	**As at August 31, 2018 after giving effect to the Offering**	**As at August 31, 2018 after giving effect to the Offering and the exercise of the Special Warrants**
Share Capital (Common Shares - Authorized: unlimited)[(1)]	$25,794,995 (135,700,158)	$25,794,995 (135,700,158)	$25,794,995 (135,700,158)
Share Capital (preferred shares - Authorized: unlimited)	Nil	Nil	Nil
Warrants	$2,952,235 (10,755,937)	$2,952,235 (10,755,937)	$2,952,235 (10,755,937)
Special Warrants	Nil	21,150	Nil
Options	8,151,892	8,151,892	8,151,892
Convertible Debentures	Nil	Nil	$17,210,315[(2)]
Deficit	$(18,428,990)	$(18,428,990)	$(18,428,990)
Equity Reserves	$(2,952,235)	$23,133,235[(3)]	$5,135,688[(3)]
Total Shareholder's Equity	$16,091,455	$36,272,455	$18,274,908

Notes:

(1) Excludes Common Shares issuable upon exercise of the Warrants, stock options and convertible debentures outstanding as at August 31, 2018.

(2) Includes the $18,036,676 present value of the Debentures less $826,361 present value of the issuance costs.

(3) After giving effect to the Offering, the estimated $20,181,000 net proceeds of the Offering are included in the Equity Reserves. After giving effect to the exercise of Special Warrants, $17,210,315 is reclassified to Debentures and $787,232 is reclassified to deferred tax liability.

Other than in connection with the Offering, there have been no material changes to the Company's share and loan capitalization on a consolidated basis since August 31, 2018 except the following:

- on September 11, 2018, a total of 23,582,000 Common Shares with a fair value of $1.00 were issued and placed into escrow in connection with the acquisition by the Company of all of the remaining issued and outstanding shares of NewLeaf not already owned by the Company (see "*Prior Sales*"); and

- on October 29, 2018, a total of 21,978,020 Common Shares were issued at a price of $0.91 per Common Share in connection with the closing of a private placement (see "*Prior Sales*").

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Special Warrants, after deducting the aggregate Agents' Fee and the expenses of the Offering and the qualification for distribution of the Debentures, are estimated to be $20,181,000. The Company will not receive any additional proceeds from the deemed exercise of the Special Warrants. On the Closing Date, the Company directed $20,244,830, being the net proceeds of the Offering after deducting the Agents' Fee and expenses, to the OCN in partial satisfaction of the Company's indebtedness to the OCN in respect the OCN Loan Agreement.

On November 22, 2018, the Company paid $6,471,367 to the OCN, which, together with the net proceeds of the Offering paid to the OCN on the Closing Date, satisfied the entirety of the Company's indebtedness under the OCN Loan Agreement in the amount of $26,716,197, representing $25,000,000 drawn on the loan plus accrued interest and fees. The Company used the funds advanced by the OCN under the OCN Loan Agreement to fund construction of retail locations across Western Canada as well as for general working capital purposes.

The Company had negative cash flow from operating activities for the financial year ended August 31, 2018. As at August 31, 2018, the Company had working capital deficit of $1,278,405, negative cash flow from operating activities of $7,748,083 and total debt of $25,000,000. Although the Company anticipates it will have positive cash flow from operating activities in future periods, it cannot guarantee it will have a cash flow positive status from operating activities in future periods. As a result, the Company continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Company may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Company has negative cash flow from operating activities in future periods, the Company may need to use a portion of proceeds from any offering to fund such negative cash flow. See "*Risk Factors – Liquidity Risk and Negative Cash Flow*".

PLAN OF DISTRIBUTION

This Prospectus is being filed in each of the provinces of Canada, other than Quebec, to qualify the distribution of $21,150,000 of principal amount of Debentures issuable upon the deemed exercise of 21,150 Special Warrants issued pursuant to the Offering.

On November 23, 2018, the Company completed the Offering of 21,150 Special Warrants issued pursuant to prospectus exemptions under applicable securities legislation in certain provinces in Canada (and in jurisdictions outside of Canada in compliance with applicable laws therein) on a private placement basis at a price of $1,000 per Special Warrant. The Offering Price and other terms of the Offering were determined by arm's length negotiation between the Company and the Lead Agent, on behalf of the Agents.

The Special Warrants were issued pursuant to the terms of the Special Warrant Indenture. Each Special Warrant entitles the holder thereof to receive one Debenture, subject to adjustment in certain circumstances as set forth in the

Special Warrant Indenture and the Penalty Provision, at no additional cost. Each Special Warrant not previously voluntarily exercised by the holder thereof shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, on the earlier of: (i) the date which is the third business day following the Qualification Date; and (ii) March 24, 2019.

Pursuant to the Agency Agreement, the Company has agreed to use its commercially reasonable efforts to: (i) file this Prospectus under applicable securities laws in the Qualifying Jurisdictions as soon as possible following the Closing Date; (ii) satisfy all comments from the regulators in each applicable jurisdiction with respect to this Prospectus as soon as possible following receipt of such comments; and (iii) to obtain a final receipt from the Ontario Securities Commission, as principal regulator, qualifying the distribution of the Special Warrants in the applicable jurisdictions as soon as possible and in any event prior to the Qualification Deadline.

Pursuant to the Penalty Provision, in the event that such receipt is not received by the Qualification Deadline, each Special Warrant shall thereafter entitle the holder thereof to receive, without payment of any additional consideration, 1.1 Debentures (in lieu of 1.0 Debenture) upon exercise or deemed exercise thereof. This Prospectus also qualifies the distribution of the Penalty Debentures issuable pursuant to the Penalty Provision, if applicable, for a total of up to 23,265 Debentures.

Pursuant to the Agency Agreement, the Company paid the Agents a cash fee of 6.0% of the gross proceeds realized by the Company in respect of 11,150 Special Warrants sold pursuant to the Offering. The Company paid no cash commission to the Agents in respect of 10,000 Special Warrants sold by the Agents to certain President's List subscribers. The Agents will receive no other fees in connection with the distribution of the Debentures under this Prospectus. Except as disclosed above, no compensation was paid to any finder or agent in connection with the Offering.

The TSXV has conditionally approved the listing of the Debentures and Debenture Shares, conditional upon the Company satisfying all listing requirements of the TSXV.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within any state of the United States of America, its territories, possessions or the District of Columbia (the "**U.S.**") or to, or for the account or benefit of, U.S. Persons. None of the Special Warrants, Debentures or Debenture Shares have been or will be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Special Warrants and Debentures may not be exercised or converted by or on behalf of a U.S. Person or a person in the U.S. unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Debentures will bear, or will be deemed to bear, appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

Pursuant to the Agency Agreement, the Company agreed not to, for a period ending 120 days after the Closing Date, without the prior written consent of the Lead Agent on behalf of the Agents, such consent not to be unreasonably withheld, directly or indirectly offer, issue, pledge, sell, contract to sell, announce an intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable for Common Shares, other than: (i) the issuance of Common Shares in connection with the exercise of any currently outstanding stock options or warrants of the Company; (ii) the issuance of options to acquire Common Shares pursuant to the current stock option plan of the Company, and the issuance of Common Shares in connection with the exercise of any such stock options; (iii) the issuance of awards pursuant to the current incentive award plan of the Company; (iv) the issuance of Common Shares pursuant to the dividend reinvestment plan of the Company; and (v) to satisfy any other currently outstanding instruments or other contractual commitments in relation to any transaction that has been disclosed to the Agents (including potential subscriptions for up to $60 million of Common Shares).

Each of the senior officers and directors of the Company have entered into a lock-up agreement in favour of the Agents pursuant to which each such person shall not, for a period of 120 days following the Closing Date, without the prior

written consent of the Lead Agent on behalf of the Agents, such consent not to be unreasonably withheld, directly or indirectly, offer, sell, dispose of or otherwise monetize the economic value of any securities in the Company beneficially owned by such shareholder, subject to the following exceptions: (i) if the Company receives an offer, which has not been withdrawn, to enter into a transaction or arrangement, or proposed transaction or arrangement, pursuant to which, if entered into or completed substantially in accordance with its terms, a party could, directly or indirectly acquire an interest (including an economic interest) in, or become the holder of, 50% of the total number of Common Shares, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buyback, securities issue, reverse takeover, dual-listed company structure or other synthetic merger, transaction or arrangement; (ii) in respect of sales to affiliates of such shareholder; and (iii) as a result of the death of any individual shareholder.

The Offering was conducted through a book-based system through CDS and the Special Warrants were deposited with CDS on the Closing Date in electronic form. The Debentures to be issued upon exercise or deemed exercise of the Special Warrants and the Debenture Shares to be issued upon conversion of the Debentures will also be held by CDS and a purchaser of the Special Warrants will not receive a definitive certificate representing the Debentures or the Debenture Shares, except in certain limited circumstances.

The Company has agreed, pursuant to the Agency Agreement, to indemnify and hold the Agents, and each of their respective subsidiaries and affiliates, and each of their respective directors, officers, employees, and agents, harmless against certain liabilities.

EARNINGS COVERAGE RATIOS

The Company's interest requirements, after giving effect to the issuance of the Debentures would have been $1,984,521 for the fiscal year ended August 31, 2018. The Company had a loss before interest and income taxes for the fiscal year ended August 31, 2018 of $8,924,000. Accordingly, after giving effect to the issuance of the Debentures, the Company would have a deficient earnings coverage ratio of 4.50 for the fiscal year ended August 31, 2018. As a result of the issuance of the Debentures, an increase of $10,908,521 in earnings would have been necessary to produce an earnings coverage ratio of one-to-one for the fiscal year ended August 31, 2018.

CERTAIN CANADIAN FEDERAL TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agents (collectively, "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a person who acquires Debentures upon the deemed exercise of Special Warrants and Debenture Shares upon conversion, redemption or maturity of Debentures (collectively, the "**Subject Securities**"), in each case as the beneficial owner, and for the purposes of the Tax Act and at all relevant times (i) holds all Subject Securities as capital property; (ii) deals at arm's length and is not affiliated with the Company, and any person that such holder subsequently sells or otherwise transfers Subject Securities to; and (iii) is not exempt from tax under the Tax Act. A person who meets all of the foregoing requirements is referred to as a "**Holder**" in this summary, and this summary only addresses such Holders.

Generally, Subject Securities will be considered to be capital property to a Holder provided the Holder does not hold the Subject Securities in the course of carrying on a business or trading or dealing in securities, and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act for the purposes of the "mark-to-market" rules); (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that is a "specified financial institution" (as defined in the Tax Act); (iv) that has elected to report its "Canadian tax results" (as defined in the Tax Act), in a currency other than Canadian currency; (v) that has entered or will enter into a "derivative forward agreement" or "synthetic disposition agreement" (each as defined in the Tax Act) with respect to the Subject Securities; or (vi) a corporation that is resident in Canada and is, or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Subject Securities, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. **Any such Holder should consult its own tax advisor with respect to an investment in Subject Securities.** In

addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Subject Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") made publicly available prior to the date hereof. This summary assumes that the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Subject Securities, and no representations with respect to the income tax consequences to any Holder are made. Consequently, Holders and prospective Holders of Subject Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Subject Securities, having regard to their own particular circumstances.

Holders Resident in Canada

The following portion of the summary is applicable to a Holder who, for the purposes of the Tax Act, is resident in Canada (a "**Resident Holder**"). Certain Resident Holders of Subject Securities who might not otherwise be considered to hold their Subject Securities as capital property may, in certain circumstances, be entitled to have the Subject Securities, and all other "Canadian securities" (as defined in the Tax Act) owned by such Resident Holders in the taxation year of the election and any subsequent taxation year treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. **Resident Holders should consult their own tax advisors regarding this election.**

Exercise of Special Warrants

The deemed exercise of a Special Warrant should not constitute a disposition of property for the purposes of the Tax Act. Accordingly, no gain or loss should be realized by the Resident Holder on the exercise of the Special Warrant. Underlying Debentures acquired by a Resident Holder on the exercise of Special Warrants will have a cost to the Resident Holder for the purposes of the Tax Act equal to the adjusted cost base to the Holder of the Special Warrants so exercised. The cost of Debentures so acquired will be averaged with the adjusted cost base to the Resident Holder of any other Debentures held at the time as capital property for the purpose of determining the adjusted cost base of Debentures to the Resident Holder.

Taxation of Interest on Debentures

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year, or (ii) that has become receivable by or is received by the Resident Holder before the end of that taxation year, including on the conversion, redemption or maturity of the Debentures, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder (including an individual, other a unit trust or a trust of which a corporation or a partnership is a beneficiary) will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if such Resident Holder has not otherwise included all interest that accrued on the Debentures in computing the Resident Holder's income at periodic intervals of not more

than one year, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year, to the extent that such interest was not otherwise included in the Resident Holder's income for that year or a preceding taxation year.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on certain investment income, including interest income.

Exercise of the Conversion Privilege

Generally, a Resident Holder of Debentures that converts a Debenture into Debenture Shares (or Debenture Shares and cash in lieu of a fraction of a Debenture Share) pursuant to its right of conversion under the terms of the Debenture and only receives Debenture Shares upon such conversion will be deemed not to have disposed of the Debenture, and accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion.

Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of $200 in lieu of a fraction of a Debenture Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or a capital loss), or reduce the adjusted cost base of the Debenture Shares that the Resident Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Debenture Shares acquired upon exercise of such holder's right to convert a Debenture generally should be equal to the aggregate of the adjusted cost base to the Resident Holder of the Debenture immediately before the conversion, minus any reduction of adjusted cost base for cash received in lieu of fractional shares as discussed above. Generally, the adjusted cost base to a Resident Holder of Debenture Shares at any time should be determined by averaging the cost of such Debenture Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at such time.

Upon conversion of a Debenture, interest accrued thereon will be included in computing the income of the Resident Holder as described under the heading "*Holders Resident in Canada – Taxation of Interest on Debentures*", to the extent that such interest has not otherwise been included in computing the Resident Holder's income for the taxation year or a previous taxation year.

Other Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation (but not including by the conversion of a Debenture into Debenture Shares pursuant to the Resident Holder's conversion privilege as described above), will generally result in the Resident Holder realizing a capital gain (or, subject to certain rules in the Tax Act, a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) should be subject to the tax treatment described below under the heading "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

Upon a disposition or deemed disposition of a Debenture by a Resident Holder, the Resident Holder will be required to include in computing income the amount of interest accrued on the Debenture from the date of the last interest payment to the date of the disposition, to the extent that such amount has not otherwise been included in computing the Resident Holder's income for the taxation year or a previous taxation year, and such amount will be excluded in computing the Resident Holder's proceeds of disposition of the Debenture, as described above.

If the Company pays any amount upon the purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder (but not including by the conversion of a Debenture into Debenture Shares pursuant to the Resident Holder's conversion privilege, as described above), the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other

consideration so received (except consideration received in satisfaction of interest). The cost to the Resident Holder of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of Common Shares acquired at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property immediately before that time.

Receipts of Dividends on Debenture Shares

Dividends received or deemed to be received on Debenture Shares held by a Resident Holder will be included in the Resident Holder's income for the purposes of the Tax Act.

Such dividends received by a Resident Holder that is an individual (including most trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends, if any, designated by the Company as "eligible dividends". There may be limitations on the Company's ability to designate any dividends as "eligible dividends", and the Company has made no commitments in this regard.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

A Resident Holder that is a corporation is required to include such dividends in computing its income and generally should be entitled to deduct the amount of such dividends in computing its taxable income, subject to all rules and limitations under the Tax Act. In certain circumstances which are beyond the scope of this summary, subsection 55(2) of the Tax Act will treat a taxable dividend received by a holder that is a corporation as proceeds of a disposition or as a capital gain. The Tax Act also imposes a special tax (refundable in certain circumstances) under Part IV of the Tax Act on dividends received (or deemed to be received) in a taxation year by Resident Holders that are either "private corporations" or "subject corporations" as defined for this purpose. Resident Holders that are corporations should consult their tax advisors in this regard.

Disposition of Debenture Shares

A disposition or a deemed disposition of a Debenture Share by a Resident Holder (except to the Company) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Debenture Share exceeds (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Debenture Share may be reduced by the amount of dividends received or deemed to be received by it (if any) on such Debenture Share (or on a share for which the Debenture Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Debenture Shares, directly or indirectly, through a partnership or a trust.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may also be liable to pay a special tax (refundable in certain circumstances) on certain investment income, including taxable capital gains.

Capital gains realized by an individual (and certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary applies to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times (i) is neither resident nor deemed to be resident in Canada, (ii) does not, and is not deemed to, use or hold the Special Warrants, Debentures or Debenture Shares in carrying on a business in Canada, (iii) is entitled to receive all payments (including interest and principal) in respect of a Debenture or a Debenture Share (including dividends, if any), (iv) deals at arm's length with any transferee that is resident in Canada and to whom the Holder disposes of a Debenture; (v) is not a person who carries on an insurance business in Canada and elsewhere; (vi) is not an "authorized foreign bank" (as defined in the Tax Act); and (vii) is neither a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company nor a person who does not deal at arm's length with a specified shareholder of the Company (a "**Non- Resident Holder**"). **All such foregoing holders should consult their own tax advisors.**

Exercise of Special Warrants

The deemed exercise of a Special Warrant held by a Non-Resident Holder will be treated in the same manner as described above under the heading "*Holders Resident in Canada – Exercise of Special Warrants*".

Taxation of Interest on Debentures

A Non-Resident Holder generally should not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Company as, on account or in lieu of, or in satisfaction of, interest on the Debentures unless such interest is "participating debt interest". See "*Risk Factors – Debentures may be Subject to Withholding Tax and Participating Debt Interest*."

Exercise of Conversion Privilege

Generally, a Non-Resident Holder that converts a Debenture into Debenture Shares pursuant to its right of conversion under the terms of the Debenture will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion.

On the conversion of a Debenture by a Non-Resident Holder pursuant to its right of conversion under the terms of the Debenture in exchange for Debenture Shares and cash in lieu of a fraction of such Debenture Shares, if such Debenture Shares constitute "taxable Canadian property" to the Non-Resident Holder, as discussed below, and if the value of such cash does not exceed $200, under the current administrative practice of the CRA the Non-Resident Holder may choose to (i) treat this amount as proceeds of disposition (and calculate and report a gain or loss and pay tax in Canada subject to relief under the Tax Treaty), or (ii) reduce, by the amount of cash received, the adjusted cost base of such Debenture Shares received.

In certain circumstances, the conversion may be considered to give rise to a deemed payment of interest under the Tax Act. See "*Holders not Resident in Canada – Taxation of Interest on Debentures"* and *"Risk Factors – Debentures may be Subject to Withholding Tax and Participating Debt Interest*".

Other Disposition of Debentures, and Disposition of Debenture Shares

On a disposition or deemed disposition of a Debenture (otherwise than on the conversion of a Debenture into Debenture Shares pursuant to a Non-Resident Holder's conversion privilege, as described above) or Debenture Share,

a Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder unless the Debenture or a Debenture Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes Tiers 1 and 2 of the TSX-V), the Debentures or Debenture Shares will generally not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition of the Debenture or Debenture Share, as the case may be, the following conditions are satisfied concurrently: (i) (a) the Non-Resident Holder; (b) persons with whom the Non-Resident Holder did not deal at arm's length; (c) partnerships in which the Non-Resident Holder or a person described in (i)(b) holds a membership interest directly or indirectly through one or more partnerships; or (d) any combination of the persons and partnerships described in (i)(a) through (c), owned 25% or more of the issued shares of any class of the capital stock of the Company; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) "Canadian resource properties" (as defined in the Tax Act); (c) "timber resource properties" (as defined in the Tax Act); and (d) options in respect of, or interests in or, for civil law rights in, property described in (ii)(a) to (c). **A Non-Resident Holder contemplating a disposition of Debentures or Debenture Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.**

Receipt of Dividends on Debenture Shares

Where a Non-Resident Holder receives or is deemed to receive a dividend (if any) on Debenture Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence. For example, where a Non-Resident Holder is a resident of the United States that is entitled to the full benefits under the Canada – United States Tax Convention (1980), as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") as of the date hereof, the Debentures acquired pursuant to the deemed exercise of the Special Warrants and the Debenture Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan (except in the case of Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm's length with the Company, has made a contribution), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**") and tax-free savings account ("**TFSA**") (collectively, "**Deferred Plans**"), provided that at that time:

- in the case of the Debentures, either the Debentures or the Common Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes Tiers 1 and 2 of the TSXV; and

- in the case of the Debenture Shares, the Common Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes Tiers 1 and 2 of the TSXV.

Notwithstanding that the Debentures and Debenture Shares, as the case may be, may be qualified investments for a trust governed by an RRSP, RRIF, TFSA, RESP or RDSP, the annuitant of an RRSP or RRIF, the holder of a TFSA or RDSP or the subscriber of an RESP, as the case may be, will be subject to a penalty tax if the Debentures or Debenture Shares, as the case may be, are a "prohibited investment" for the purposes of the Tax Act. The Debentures and Debenture Shares generally will not be a "prohibited investment" provided that the annuitant of the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of the RESP, as the case may be: (a) deals at arm's length with the Company for the purposes of the Tax Act; and (b) does not have a "significant interest" (as defined in the

Tax Act for the purposes of the "prohibited investment" rules) in the Company. A Debenture Share will also not be a "prohibited investment" if such Debenture Share is "excluded property", as defined in the Tax Act for the purposes of the "prohibited investment rules", for trusts governed by an RRSP, RRIF, TFSA, RESP or RDSP.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Prospective purchasers who intend to hold Debentures or Debenture Shares in a Deferred Plan should consult their own tax advisors regarding their particular circumstances.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Description of the Special Warrants

The Special Warrants are issued under and governed by the terms and conditions set forth in the Special Warrant Indenture. The following is a summary description of certain material provisions of the Special Warrant Indenture and the Special Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Special Warrant Indenture, a copy of which may be obtained on request without charge from the Company at its registered office or electronically on SEDAR at www.sedar.com.

An aggregate of 21,150 Special Warrants are outstanding as of the date of this Prospectus. The material terms and conditions of the Special Warrants are summarized below:

- each of the Special Warrants entitles the holder thereof upon exercise or deemed exercise thereof to acquire one Debenture for each Special Warrant, subject to adjustment as provided for in the Special Warrant Indenture and the Penalty Provision, at no additional cost;

- in the event that the Company does not obtain a final receipt for this Prospectus from the Ontario Securities Commission, as principal regulator, qualifying the distribution of the Debentures in the applicable jurisdictions prior to the Qualification Deadline, each Special Warrant shall thereafter entitle the holder thereof to receive, without payment of any additional consideration, 1.1 Debentures (in lieu of 1.0 Debenture) upon exercise or deemed exercise thereof;

- the Special Warrants will be deemed to be exercised into the Debentures on the date which is the earlier of: (i) the date which is the third business day following the Qualification Date; and (ii) four months and one day following the closing of the Special Warrant Offering on November 23, 2018, being March 24, 2019 (the "**Deemed Exercise Date**");

- the Special Warrant Indenture provides for and contains provisions designed to keep the holders of the Special Warrants unaffected by the possible occurrence of certain corporate events, including the corporate reorganization of the Company;

- the holders of Special Warrants do not have any right or interest whatsoever as shareholders of the Company, including but not limited to any right to vote at, to receive notice of, or to attend, any meeting of shareholders or any other proceedings of the Company or any right to receive any dividend or other distribution;

- the rights of holders of Special Warrants may be amended, supplemented or modified by agreement between the Company (when authorized by action of the board of directors of the Company) and TSX Trust, as special warrant agent. The Special Warrant Indenture provides for meetings by holders of Special Warrants and the passing of resolutions and extraordinary resolutions by such holders which are binding on all holders of Special Warrants. Certain amendments to the Special Warrant Indenture may only be made by "extraordinary resolution", which is defined in the Special Warrant Indenture as a resolution passed by the affirmative vote of Special Warrant holders holding not less than $66^{2/3}$% of the aggregate number of Special Warrants represented at the meeting and voted on the poll on such resolution; and

- the Company has agreed to provide to the holders of the Special Warrants a contractual right of rescission. See "*Contractual Rights of Rescission*".

Description of the Debentures

The Debentures will be issued under and governed by the terms and conditions set forth in the CD Indenture. The following is a summary of certain of the material provisions of the CD Indenture and the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the CD Indenture between the Company and TSX Trust, a copy of which may be obtained on request without charge from the Company at its registered office or electronically on SEDAR at www.sedar.com.

The Debentures will be issued under the CD Indenture upon the exercise or deemed exercise of the Special Warrants on or after the Closing Date but not after the Deemed Exercise Date. The maximum aggregate principal amount of Debentures authorized to be issued under the CD Indenture is $44,275,000. The Debentures will be designated as "8.0% Convertible Secured Senior Debentures". The Debentures will be dated as of their date of issue and will be issuable only in denominations of $1,000 and integral multiples thereof. The Debentures may be issued in one or more series.

The Debentures shall bear interest from November 23, 2018 at the rate of 8.0% per annum (based on a year of 360 days comprised of twelve 30-day months), payable in equal semi-annual payments in arrears on November 30 and May 31 in each year, the first such payment to fall due on May 31, 2019 with the final payment payable on the Maturity Date payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. The first interest payment will include interest accrued from November 23, 2018 to, but excluding, May 31, 2019, which will be equal to $41.78 for each $1,000 principal amount of initial Debentures.

Each Debenture will be convertible, at the holder's option, into Debenture Shares, at any time prior to 5:00 p.m. (Toronto time) on the earliest of: (i) the business day immediately preceding the Maturity Date; (ii) if subject to repurchase pursuant to a change of control, on the business day immediately preceding the payment date; (iii) if subject to repurchase pursuant to the exercise by the Company of the 90% Redemption Right, on the business day immediately preceding the payment date; or (iv) if subject to compulsory acquisition as provided for in the CD Indenture, on the business day immediately prior to the day on which such acquisition becomes effective, subject to satisfaction of certain conditions, by notice to the holders of the Debentures in accordance with the CD Indenture, to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Debenture Shares at the Conversion Price in effect on the date of conversion.

The Conversion Price in effect for each Debenture Share to be issued upon the conversion of Debentures shall be equal to $1.08 per Debenture Share. The Conversion Price applicable to, and the Debenture Shares, securities or other property receivable on the conversion of, the Debentures is subject to adjustment in accordance with the CD Indenture. Holders converting their Debentures will receive, in addition to the applicable number of Debenture Shares, accrued and unpaid interest (less any taxes required to be deducted) in respect of the Debentures surrendered for conversion up to and including the date of conversion from, and including, the most recent date interest was paid.

Within thirty (30) days following the occurrence of a change of control of the Company, the Company shall be obligated to offer to purchase all of the Debentures then outstanding, in whole or in part, subject to the exercise of the conversion rights of the holders of Debentures, at a price equal to 105% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon. If 90% or more of the principal amount of the Debentures outstanding on the date of the notice of the change of control have been tendered for purchase pursuant to such change of control offer, the Company has the right to exercise the 90% Redemption Right.

Beginning on the date that is four months plus one day following the Closing Date, the Company may force the conversion of all but not less than all of the principal amount of the then outstanding Debentures at the then applicable Conversion Price on not less than 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than $1.57 for any 10 consecutive trading days.

All of the obligations of the Company under the Debentures and under the CD Indenture are secured by a general security agreement pursuant to which the Company granted a security interest to TSX Trust as representative of and trustee on behalf of the Debenture holders on all present and after-acquired property and undertakings of the Company with such collateral to be governed by certain security documents (the "**Security Documents**").

The Debentures are direct senior, secured and unsubordinated debt obligations of the Company. Each Debenture will rank *pari passu* with one another and, subject to certain permitted encumbrances identified in the CD Indenture, will rank in priority to all present and future indebtedness of the Company.

The CD Indenture provides that an event of default in respect of the Debentures will occur if certain events described in the CD Indenture occur, including, but not limited to, if any one or more of the following described events occurs: (i) failure for five business days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption or a change of control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration, payable on conversion with respect to the Debentures, which default continues for five business days; (iv) default in the observance or performance of any covenant or condition of the CD Indenture, or any Debenture or Security Document, by the Company and the failure to cure (or obtain a waiver for) such default for a period of fifteen (15) days after notice in writing has been given by TSX Trust or from holders of not less than twenty five percent (25%) in aggregate principal amount of the applicable Debentures then outstanding to the Company specifying such default; or (iv) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. If an event of default has occurred and is continuing, TSX Trust may, in its discretion, and shall, if so required by the holders of not less than twenty five percent (25%) in principal amount of the Debentures then outstanding, declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding under the CD Indenture to be due and payable. In certain cases, the holders of the Debenture shall have the power by requisition in writing by the holders of more than fifty percent (50%) of the principal amount of Debentures then outstanding, to instruct TSX Trust to waive the event of default.

The Company covenanted and agreed under the CD Indenture that, in addition to any other covenant or obligation in the CD Indenture, for as long as Debentures remain outstanding and to the extent that the Company has cannabis-related activities or interests now or in the future, it: (i) will conduct its businesses in material compliance with all applicable laws and regulations of each jurisdiction in which it carries on business (including, but not limited to, all applicable federal, provincial, municipal and local cannabis legislation, and licensing laws, regulations and other lawful requirements of any governmental or regulatory body); and (ii) hold all necessary licenses, registrations, qualifications and permits (including but not limited to its cannabis permits) in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted (except where not material to such business) and keep and maintain all such licenses, registrations, qualifications and permits in good standing in all material respects and shall notify TSX Trust of any breach of this requirement which has not been remedied or waived by the relevant governmental authority within thirty (30) days of the Company obtaining knowledge thereof. The Company further covenanted and agreed to cause each of its material subsidiaries to comply with the foregoing covenants as if such material subsidiaries were expressly referred to in such covenants in replacement of references to the Company, *mutatis mutandis.*

The Company also represented and warranted to and covenanted with TSX Trust under the CD Indenture that, so long as any Debentures remain outstanding thereunder: (a) it will engage in cannabis-related activities in Canada only in accordance with the *Cannabis Act* (Canada) and all other applicable laws in Canada; (b) it does not and will not invest or engage (directly or indirectly) in any business or activity that is focused on serving the non-medical or medical cannabis market internationally unless and until such time as the production and sale of non-medical and/or medical cannabis, as applicable, becomes legal under the applicable laws in the respective international jurisdiction; (c) it does not and will not invest or engage (directly or indirectly) in any business or activity that is focused on serving the non-medical or medical cannabis market in the United States unless and until such time as the production and sale of non-medical and/or medical cannabis, as applicable, becomes legal under applicable state and federal laws in the United States; (d) it does not and will not specifically target or derive (or reasonably expect to derive) revenues or funds from any of the prohibited activities described in (b) and (c) above, unless and until such time that any such activities become legal under all applicable laws in the United States and/or internationally, as applicable; (e) it will provide TSX Trust with reasonable prior notice if it decides to engage in any of the activities described in (b), (c) or (d) above; and (f) TSX Trust may, in its sole discretion, immediately terminate any contract for services between the Company and the TSX Trust upon receipt of any information relating to the Company's cannabis-related business activities contrary to the representations, warranties and covenants of the Company provided in the CD Indenture, or as otherwise permitted under any such contract for service.

The Company has agreed to provide to the holders of Debentures a contractual right of rescission. See "*Contractual Rights of Rescission*".

The rights of the holders of the Debentures may be modified in accordance with the terms of the CD Indenture. For that purpose, among others, the CD Indenture contains certain provisions which will make extraordinary resolutions binding on all holders of Debentures. The CD Indenture also includes customary provisions and other terms typical of an agreement of such nature.

PRIOR SALES

The following table sets forth the details regarding all issuances of Common Shares, including issuances of all securities convertible or exchangeable into Common Shares, during the twelve-month period prior to the date of this Prospectus:

Date	Type of Security Issued	Issuance/Exercise Price per Security	Number of Securities Issued
December 21, 2017	Options	$0.51	250,000
January 15, 2018	Options	$0.55	160,000
January 30, 2018	Units	$0.55	10,909,091[(1)]
January 30, 2018	Finder Warrants	$0.90	353,356[(2)]
February 27, 2018	Options	$0.85	1,435,000
March 19, 2018	Options	$0.99	150,000
March 20, 2018	Options	$1.04	100,000
April 9, 2018	Common Shares	$0.94	4,297,872[(3)]
April 11, 2018	Warrants	$0.91	5,000,000[(4)]
May 7, 2018	Options	$0.86	600,000
June 4, 2018	Options	$0.67	75,000
September 10, 2018	Common Shares	$1.00	23,582,000[(5)]
October 29, 2018	Common Shares	$0.91	21,978,020[(6)]
November 30, 2018	Options	$0.61	75,000
November 30, 2018	Common Shares	$0.69	2,173,913[(7)]
December 2, 2018	Options	$0.60	120,000
December 14, 2018	Warrants	$1.08	900,000[(8)]
To be determined	Warrants	To be determined	6,000,000[(9)]

Notes:

(1) Issued pursuant to a private placement of units at a price of $0.55 per unit. Each unit was comprised of one Common Share 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 until January 30, 2020.

(2) Issued in connection with the private placement of units at a price of $0.55 per unit. Each finder's warrant entitles the holder thereof to acquire one Common Share at a price of $0.90 until January 30, 2020.

(3) Issued in connection with the purchase of 51% of NACM pursuant to a share purchase agreement dated April 9, 2018 between 2627639 Ontario Inc. and 2627786 Ontario Inc. (collectively, the "**Vendors**") and NAC (the "**Share Purchase Agreement**"). The Share Purchase Agreement provides that for a period of up to five years from April 9, 2018, the Vendors are entitled to receive up to $6,080,000 of additional Common Shares of NAC which are issuable to the Vendors 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 services agreements with NACM such that the aggregate number of contracted pharmacies and health care centres with NACM is greater than 300.

(4) Issued in connection with the Company's strategic alliance with Second Cup. Each warrant entitles Second Cup to purchase one Common Share at a price of $0.91 until April 12, 2023.

(5) Issued pursuant to the exercise of an option agreement dated May 25, 2018 and an addendum and amending agreement dated September 10, 2018 between NAC, NewLeaf and Jonathan Conquergood, as agent for the securityholders (the "**Option Agreement**"). The Option Agreement provided NAC the right to purchase all of the equity interest held by the securityholders (not including the equity interest already held by NAC) in NewLeaf, and in consideration of such acquisition, NAC issued 23,582,000 Common Shares, to be placed in escrow pursuant to the terms of an escrow agreement. In accordance with the terms of the escrow agreement and the Option Agreement, a portion of the Common Shares will be released from escrow to securityholders of NewLeaf at various intervals, upon certain business

milestones (NewLeaf receiving cannabis retail licenses in Alberta from the AGLC) being met by NewLeaf. If the total number of issued Common Shares have not been released from escrow by January 25, 2020, such remaining Common Shares will be returned to NAC's treasury. See "*The Company – Recent Developments*".

(6) Issued in connection with a private placement of Common Shares at a price of $0.91 per Common Share.

(7) Issued pursuant to the unit and share purchase agreement between the Company and NAC Alberta Inc. in partial satisfaction of the purchase price for NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership.

(8) Issued to the OCN in connection with the December OCN Loan. Each warrant entitles the holder to acquire, upon exercise thereof, one Common Share at a price of $1.08 until December 14, 2021.

(9) Issued to the Paskwayak NAC Investment Limited Partnership, or an affiliate thereof, in connection with NAC meeting certain milestone conditions as prescribed pursuant to the terms of a consulting services agreement between NAC and Paskwayak Business Development Corporation, as assigned and amended.

TRADING PRICE AND VOLUME

The outstanding Common Shares are listed on the TSXV under the trading symbol "META". The following tables set forth reported intraday high and low prices and monthly trading volumes of the Common Shares on the TSXV for the twelve-month period prior to the date of this Prospectus.

	TSXV Price Range ($)		
Month	**High**	**Low**	**Total Volume**
January 2018	$1.00	$0.53	30,404,500
February 2018	$1.20	$0.76	29,544,900
March 2018	$1.10	$0.83	13,761,900
April 2018	$1.00	$0.86	8,473,900
May 2018	$0.88	$0.71	7,793,100
June 2018	$0.97	$0.67	9,879,000
July 2018	$1.30	$0.99	21,005,800
August 2018	$1.17	$0.99	12,873,900
September 2018	$1.08	$0.90	11,164,100
October 2018	$0.95	$0.70	10,293,000
November 2018	$0.82	$0.56	4,491,900
December 2018	$0.90	$0.44	5,361,400
January 1, 2019 – January 3, 2019	$0.62	$0.54	380,193

RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. Investors should carefully consider the risks set out below and other information contained in or incorporated by reference in this Prospectus, including those risks contained in the Annual Information Form under the heading "Risk Factors", which is incorporated by reference in this Prospectus and which may be accessed on the Company's SEDAR Profile at www.sedar.com. The operations of the Company are highly speculative and notably involve risks inherent to the cannabis industry and the markets in which the Company's business operates. The risks and uncertainties set out below relating to the Offering and the additional risks and uncertainties incorporated by reference herein are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the risks actually occur, the Company's business, operating results and financial condition could be materially adversely affected. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Company's business is subject to significant risks and past performance is no guarantee of future performance.

Market for Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures qualified for distribution under this Prospectus. Although the TSXV has conditionally approved the listing of the Debentures qualified for distribution under this Prospectus, such listing is subject to the Company fulfilling all of the listing requirements of the TSXV. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid trading market for the Debentures does not develop or is not sustained, this may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation.

Additional Financing

Depending on its ability to achieve its goals, the Company may need to raise further equity and/or debt financing to fund the completion of its expansion plans and the expansion of its client base. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Company. Any debt financing, if available, may involve financial covenants which limit the Company's operations. If the Company requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Debentures and the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Debentures and the Common Shares include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Debentures and Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Debentures and Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

The increase in the number of Common Shares issued and outstanding as a result of the conversion of Debentures may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Company's existing shareholders will be diluted.

A positive return in an investment in the Debentures or the Debenture Shares is not guaranteed

There is no guarantee that an investment in the Debentures or the Debenture Shares will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need

for immediate liquidity in their investment. An investment in the Debentures is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Inability to Satisfy Payments

The Debentures mature in 2021. There is no guarantee that the Company will have sufficient cash available to make interest payments or repay the principal outstanding on the Debentures on a timely basis or at all. See "*Earnings Coverage Ratio*", which is relevant to an assessment of risk that the Company may be unable to pay interest or principal on the Debentures when due.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will likely increase as prevailing yields for similar securities decline.

Absence of Covenant Protection

The CD Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or other obligations or liabilities or mortgaging, pledging or charging its properties to secure any indebtedness or obligations or liabilities, subject to such indebtedness being subordinate in ranking to the security interest created by the Security Documents, subject only to certain permitted encumbrances.

Redeeming on a Change of Control

Within thirty (30) days following the occurrence of a change of control of the Company, the Company shall be obligated to offer to purchase all of the Debentures then outstanding. However, it is possible that following a change of control of the Company, the Company will not have sufficient funds at that time to make the required purchase of outstanding Debentures. The Company's failure to purchase the Debentures would constitute an event of default under the CD Indenture, which might constitute a default under the terms of the Company's other indebtedness, if any, at that time.

Shareholders Rights

Holders of Debentures will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares), but if a holder of Debentures subsequently converts its Debentures into Debenture Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon the conversion of a Debenture and, to a limited extent, under the conversion rate adjustments under the CD Indenture. For example, in the event that an amendment is proposed to the Company's constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

Debentures may be Subject to Withholding Tax and Participating Debt Interest

The Tax Act generally provides that withholding tax is not payable on interest paid or credited to non-residents of Canada who deal at arm's length with the payor. However, Canadian withholding tax does apply to payments of "participating debt interest". For the purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would also include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is in general deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (herein, an "**excess**"). The deeming rule does not apply in respect of certain "excluded obligations", but it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise include whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and, if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA appears to have accepted in prior statements that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on May 10, 2010) and therefore, there would in general be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for the purposes of the Tax Act). It is not clear whether the Debentures meet the criteria of a "standard convertible debenture", and the application of the CRA's published guidance to the Debentures is uncertain. Accordingly, there is a risk that the CRA could take the position that amounts paid or payable to a non-resident holder of Debentures on account of interest or any excess considered to arise (for instance, on conversion) may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). No income tax ruling or legal opinion from Counsel has been sought or obtained in this regard. As noted under "*Tax laws relating to withholding may change*" below, the CD Indenture does not contain a requirement that the Company increase the amount of interest or other payments to holders of Debentures in the event that it is required to withhold Canadian withholding tax on payments made with respect to the Debentures.

Tax Laws Relating to Withholding May Change

The CD Indenture does not contain a requirement that the Company increase the amount of interest or other payments to holders of Debentures in the event that it is required to withhold Canadian withholding tax on payments made with respect to the Debentures. Even if payments of interest or deemed interest with respect to the Debentures are not currently subject to Canadian withholding tax (as generally discussed under the heading "*Certain Canadian Federal Income Tax Considerations*", and subject to the discussion above under "*Debentures may be Subject to Withholding Tax and Participating Debt Interest"*), no assurance can be given that, in the future, applicable income tax laws or treaties will not be changed in a manner that may require the Company to withhold tax.

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.

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 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.

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 cannabis industry. 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 Company's 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.

The Success of the Strategic Alliance with Second Cup Depends on the Issuance of Retail Licenses

The initial focus of the Company's strategic alliance with Second Cup is in Alberta. If NAC is unable to obtain retail licenses for some or all of these initial SC Stores, or subsequently for other SC Stores elsewhere in Alberta and the other provinces that permit the retail sale of cannabis, it may have a material adverse effect on the success of the Company's strategic alliance with Second Cup.

Conversion of an SC Store Requires Franchisee and Landlord Approval

If NAC is successful in obtaining a retail license for an SC Store, NAC and Second Cup will need to reach terms with the franchisee and head landlord of such SC Store prior to commencing conversion of the location to a retail cannabis store. If the Company is unable to reach an agreement with the franchisee and head landlord on the terms of converting an existing SC Store into a retail cannabis store, the conversion may not take place, which may affect the Company's ability to carry out its strategic alliance with respect to converting SC Stores into retail cannabis stores.

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.

Insurance Coverage

While the Company will obtain insurance coverage that will address all material risks to which it may be exposed and are adequate and customary in its future operations, such insurance may be subject to coverage limits and exclusions and may not be available for the risks and hazards to which NAC is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, there could be a material adverse effect on the Company's business, financial condition, and results of operation.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

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.

Legislative or Regulatory Reform and Compliance

The cannabis industry is a relatively new industry and the Company anticipates that associated regulations will be subject to change. NAC's current or future operations are and will be subject to a variety of laws, regulations, guidelines, and policies relating to the management, labelling, advertising, sale, storage, and disposal of cannabis, as well as laws and regulations relating to the health care industry, drugs, controlled substances, health and safety, labour standards, the conduct of operations, and the protection of the environment. While to the knowledge of management, NAC is currently in compliance with all such laws, any changes to such laws, regulations, guidelines, and policies due to matters beyond the control of NAC may cause adverse effects to its operations.

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

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities, and obtaining all regulatory approvals, where necessary, for the sale of the Company's products and other products expected to be distributed by 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 proposed operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's proposed operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the proposed business, financial condition and operating results of the Company.

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 the 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 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 NAC 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 AIF 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 regulatory 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.

Liquidity Risk and Negative Cash Flow

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company reported negative cash flow from operating activities for the financial year ended August 31, 2018 and the Company has historically reported negative cash flow from operating activities for prior fiscal years. As a result of its negative cash flow, the Company continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Company may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Company has negative cash flow from operating activities in future periods, the Company may need to use a portion of proceeds from any offering to fund such negative cash flow.

U.S. Border Officials Could Deny Entry into the U.S. to Employees of, or Investors in, Companies with Cannabis Operations in the United States and Canada

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to

deny entry. On September 21, 2018, U.S. Customs and Border Protection stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As described above, on October 9, 2018, U.S. Customs and Border Protection released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. The U.S. Customs and Border Protection stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

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 commissions from a licensed producer or dispensary that is related to the Company or even as a result of commissions 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.

The Company has over has over twenty LP Contracts. See "*Summary Description of Business – Description of the Business of the Company – Potential Conflicts of Interest*". Certain of these LP Contracts are with shareholders of the Company, including those listed under "*Principal Shareholders*". The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company, directly or indirectly, for available investment and/or business opportunities. There is no assurance that such persons will act in a manner that is not adverse the Company in such cases.

In addition, although the Company has no current intention of becoming a licensed producer and has no current intention to apply for a license to produce cannabis under the *Cannabis Act* (Canada), in the event the Company becomes a licensed producer, conflicts of interest may arise between the Company's current medical clinic business and its future licensed producer business. In the context of vertically-integrated companies in the cannabis sector where there may be material relationships or transactions that involve conflicts of interest, whether actual or perceived, the Company will disclose any commissions, incentives, or other fees earned by the Company, its clinics, physicians, or other consultants. The Company will also disclose risks associated with conflicts of interest, including but not limited to situations where the Company, its clinics, physicians, or other consultants are paid a commissions from a licensed producer or dispensary that is related to the Company.

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 *Personal Information Protection and Electronic Documents Act* (Canada) ("**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.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts that are material to NAC and that were entered into by NAC or one of its Subsidiaries since the date of the Annual Information Form which are still material and are still in effect, are the following:

- the Agency Agreement. See "*Plan of Distribution*";
- the Special Warrant Indenture. See "*Description of Securities Being Distributed – Description of the Special Warrants*";
- the CD Indenture. See "*Description of Securities Being Distributed – Description of the Debentures*"; and
- the loan agreement between the OCN and the Company dated December 14, 2018, pursuant to which the OCN provided the Company with December OCN Loan. See "*Summary Description of the Business – Recent Developments*".

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owns, or controls or directs, directly or indirectly, 10% or more of the issued and outstanding Common Shares as at the date of the Prospectus.

In connection with the closing of the first tranche of the LP Financing on October 26, 2018, the LPs either directly or indirectly, purchased 21,978,022 Common Shares at a price of $0.91 per Common Share for total proceeds of $20.0 million. Three of the LPs, VIVO Cannabis Inc., Aphria Inc. and CannTrust Inc., either directly or indirectly, have entered into LP Contracts with the Company (see "*Summary Description of Business – Potential Conflicts of Interest*").

To the knowledge of the directors and officers of the Company, each of the LPs did not hold any Common Shares prior to closing of the first tranche of the LP Financing, and the following table sets out the number of Common Shares that each of the LPs beneficially owned, or controlled or directed, directly or indirectly, as of the date of closing of the first tranche of the LP Financing:

NAME	NUMBER OF COMMON SHARES	PERCENTAGE OF EQUITY (NON-DILUTED)[(1)]	PERCENTAGE OF EQUITY (FULLY-DILUTED)[(2)]	TYPE OF OWNERSHIP
Aphria Inc.	5,494,505	3.03%	2.74%	Direct
VIVO Cannabis Inc.	5,494,505	3.03%	2.74%	Indirect
CannTrust Inc.	5,494,505	3.03%	2.74%	Indirect
Zenabis Ltd.	5,494,505	3.03%	2.74%	Indirect

Notes:

(1) Based on 181,286,953 Common Shares outstanding on a non-diluted basis as at October 26, 2018, the date of closing of the first tranche of the LP Financing.

(2) Based on 200,168,007 Common Shares outstanding on a fully-diluted basis as at October 26, 2018, the date of closing of the first tranche of the LP Financing.

Pursuant to the agreements entered into between the LPs and the Company with respect to the LP Financing, each of the LPs may also be required to purchase and subscribe for additional Common Shares upon the completion of certain milestones by the Company. There can be no guarantee that the Company will complete the milestones or complete additional tranches of the LP Financing. For further details on the LP Financing, see "*Summary Description of the Business – Recent Developments*".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are MNP LLP, Chartered Professional Accountants, Calgary, Alberta. MNP LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its offices in Calgary, Alberta.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by Borden Ladner Gervais LLP, on behalf of the Company and by Cassels Brock & Blackwell LLP, on behalf of the Agents. As at the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of by Cassels Brock & Blackwell LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHTS OF RESCISSION

Pursuant to the terms of the Special Warrant Indenture and the subscription agreements between the Company and the purchasers of Special Warrants, the Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Debentures on the exercise or deemed exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation,

- the holder is entitled to rescission of both the holder's exercise or deemed exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired;

- the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant; and

- if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

Pursuant to the terms of the CD Indenture, the Company granted to each holder of a Debenture a contractual right of rescission. The contractual right of rescission provides that if a holder of a Debenture Share who acquires Debenture Shares on the conversion of Debenture as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation, the holder is entitled to receive from the Company, upon surrender of the Debenture Shares into which the Debentures were converted, the amount paid for such Debentures that were so converted. The foregoing right of action for rescission is only available to an original purchaser while it, he or she is a holder of the Debenture Shares issued upon the conversion of the Debentures and shall be subject to the defences, limitations and other provisions described under the *Securities Act* (Ontario).

CERTIFICATE OF THE COMPANY

Dated: January 4, 2019

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation in each of the provinces of Canada other than Quebec.

"*Mark Goliger*" **MARK GOLIGER** Chief Executive Officer	"*Michael Best*" **MICHAEL BEST** Chief Financial Officer

On Behalf of the Board of Directors

"*Marc Lustig*" **MARC LUSTIG** Director	"*Rocco Meliambro*" **ROCCO MELIAMBRO** Director

CERTIFICATE OF THE AGENTS

Dated: January 4, 2019

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation in each of the provinces of Canada other than Quebec.

CORMARK SECURITIES INC.

"*Chris Shaw*"
CHRIS SHAW
Managing Director, Investment Banking

CANACCORD GENUITY CORP.

"*Steve Winokur*"
STEVE WINOKUR
Managing Director, Investment Banking

BEACON SECURITIES LIMITED

"*Mario Maruzzo*"
MARIO MARUZZO
Managing Director, Investment Banking

INFOR FINANCIAL INC.

"*Greg Lewis*"
GREG LEWIS
Senior Vice-President

PI FINANCIAL CORP.

"*Blake Corbet*"
BLAKE CORBET
Co-Head of Investment Banking