

NATIONAL ACCESS CANNABIS CORP.

Condensed Interim Consolidated Financial Statements (Unaudited)

**For the three and nine months ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)**

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Financial Position
May 31, 2019 and August 31, 2018
(Unaudited - Expressed in Canadian Dollars)

	Notes	May 31 2019	August 31 2018
Assets			
Current			
Cash and cash equivalents		8,179,951	23,496,232
Restricted cash	Note 12	2,594,020	-
Trade and other receivables	Note 4	1,531,776	882,461
Inventory	Note 5	8,672,707	51,062
Prepaid expenses	Note 6	1,290,877	666,707
		22,269,331	25,096,462
Non-current			
Property and equipment	Note 7	14,849,785	1,731,456
Loan receivable		-	1,750,000
Prepaid expenses	Note 6	540,110	-
Investment		97,797	1,869,729
Intangible assets	Note 8	39,877,330	14,956,729
Goodwill	Note 8	8,009,131	1,413,939
Total Assets		85,643,484	46,818,315
Liabilities			
Current			
Trade and other payables		3,394,041	1,360,067
Debt financing	Note 9	8,984,610	25,000,000
Lease inducements		93,783	14,800
Contingent consideration	Note 12	10,702,874	-
		23,175,308	26,374,867
Non-current			
Lease inducements		305,624	41,993
Due to shareholders	Note 10	410,000	230,000
Contingent consideration	Note 19	4,080,000	4,080,000
Convertible debenture	Note 11	16,509,147	-
Deferred tax liability	Note 12	6,633,426	-
Total liabilities		51,113,505	30,726,860
Shareholders' Equity			
Share capital	Note 13	58,994,769	25,794,995
Warrants		3,268,924	2,952,235
Contributed surplus		5,749,285	1,245,455
Accumulated other comprehensive loss		(428,571)	(428,571)
Accumulated deficit		(37,616,014)	(18,428,990)
Equity attributable to National Access Cannabis Corp		29,968,393	11,135,124
Non-controlling interest		4,561,586	4,956,331
Total equity		34,529,979	16,091,455
Total liabilities and equity		85,643,484	46,818,315

Going concern (Note 1)

These financial statements were authorized for issue by the Board of Directors on July 29, 2019. They are signed on the Company's behalf by:

"Marc Lustig"

"Rocco Meliambro"

Director

Director

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Net Loss
Three and nine months ended May 31, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	Three months ended May 31		Nine months ended May 31	
	2019	2018	2019	2018
Revenues				
Cannabis sales	16,119,479	-	34,314,041	-
Merchandise and accessory sales	644,523	43,676	1,644,675	110,740
Commissions	256,879	471,841	994,355	1,262,310
Other revenue	24,888	13,757	82,027	68,988
	17,045,769	529,274	37,035,098	1,442,038
Cost of Goods Sold				
Cannabis	11,188,401	-	23,922,454	-
Merchandise and accessory	288,849	37,725	852,981	88,474
Consultation fees (Note 16)	25,500	124,636	150,551	375,350
	11,502,750	162,361	24,925,986	463,824
Gross Profit	5,543,019	366,913	12,109,112	978,214
Expenses				
Advertising and marketing	182,498	107,100	534,770	172,022
Amortization of property and equipment	602,125	91,791	1,183,932	271,263
Amortization of intangible assets	419,133	279,422	1,257,399	279,422
Share based compensation	277,211	351,550	948,382	465,236
Finance and other costs (Note 17)	734,353	-	2,848,253	-
General and administrative expenses (Schedule)	8,516,955	1,861,555	22,769,564	4,771,955
	10,732,275	2,691,418	29,542,300	5,959,898
Loss from operations	(5,189,256)	(2,324,505)	(17,433,188)	(4,981,684)
Other expenses				
Loss on disposal of assets	100,482	-	100,482	-
Commitment fee (Note 9)	-	-	1,642,857	-
Net loss before income tax recovery	(5,289,738)	(2,324,505)	(19,176,527)	(4,981,684)
Deferred tax recovery	(509,589)	-	(876,567)	-
Net loss for the period	(4,780,149)	(2,324,505)	(18,299,960)	(4,981,684)
Net loss attributable to:				
Shareholders of National Access Cannabis Corp	(4,520,823)	(2,232,545)	(17,638,798)	(4,889,724)
Non-controlling interest	(259,326)	(91,960)	(661,162)	(91,960)
	(4,780,149)	(2,324,505)	(18,299,960)	(4,981,684)
Net loss per share (Note 18)				
Basic and diluted	(0.02)	(0.02)	(0.10)	(0.04)

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.**Condensed Interim Consolidated Statements of Comprehensive Loss****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

	Three months ended May 31		Nine months ended May 31	
	2019	2018	2019	2018
Net loss for the period	(4,780,149)	(2,324,505)	(18,299,960)	(4,981,684)
Other comprehensive loss for the period				
Acquisition - equity adjustment	-	(428,571)	-	(428,571)
Total comprehensive loss for the period	(4,780,149)	(2,753,076)	(18,299,960)	(5,410,255)
Total comprehensive loss attributable to:				
Shareholders of National Access Cannabis Corp	(4,520,823)	(2,661,116)	(17,638,798)	(5,318,295)
Non-controlling interest	(259,326)	(91,960)	(661,162)	(91,960)
	(4,780,149)	(2,753,076)	(18,299,960)	(5,410,255)

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Changes in Equity
Three and nine months ended May 31, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Warrants	Contributed	Accumulated		Non-	
	Number of	Amount (\$)	Amount	Surplus	Other	Deficit	Controlling	Total (\$)
	Shares				Comprehensive Loss		Interest	
Balance, September 1, 2017	115,974,163	15,311,030	160,937	416,057	-	(9,563,493)	-	6,324,531
Options exercised (Note 13)	2,434,037	436,198	-	-	-	-	-	436,198
Warrants exercised (Note 13)	1,300,252	259,758	-	-	-	-	-	259,758
Private Placement (Note 13)	10,909,091	6,000,000	136,798	-	-	-	-	6,136,798
Acquisition – National Access Cannabis Medical Inc. (Note 13)	4,297,872	4,040,000	-	-	(428,571)	-	5,309,356	8,920,784
Warrants – Second Cup (Note 13)	-	-	2,654,500	-	-	-	-	2,654,500
Share based compensation (Note 13)	(50,000)	(6,250)	-	471,485	-	-	-	465,235
Share issuance costs	-	(159,355)	-	-	-	-	-	(159,355)
Transaction costs	-	(331,146)	-	-	-	-	-	(331,146)
Non-controlling interest	-	-	-	-	-	-	(91,960)	(91,960)
Net loss and comprehensive loss for the period	-	-	-	-	-	(4,889,724)	-	(4,889,724)
Balance, May 31 2018	134,865,415	25,550,235	2,952,235	887,542	(428,571)	(14,253,217)	(5,217,396)	19,725,619
Options exercised (Note 13)	643,075	78,452	-	-	-	-	-	78,452
Warrants exercised (Note 13)	191,768	168,619	-	-	-	-	-	168,619
Share based compensation	-	-	-	357,913	-	-	-	357,913
Share issuance costs	-	(2,308)	-	-	-	-	-	(2,308)
Transaction costs	-	(3)	-	-	-	-	-	(3)
Non-controlling interest	-	-	-	-	-	-	(261,065)	(261,064)
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,975,773)	-	(3,975,773)
Balance, August 31 2018	135,700,258	25,794,995	2,952,235	1,245,455	(428,571)	(18,428,990)	4,956,331	16,091,455
Options exercised (Note 13)	1,925,000	288,750	-	-	-	-	-	288,750
Warrants exercised (Note 13)	1,775	1,598	-	-	-	-	-	1,598
Private Placement (Note 13)	21,978,020	20,000,000	-	-	-	-	-	20,000,000
Acquisition – The Green Company Ltd. (Note 12)	23,582,000	10,477,584	-	-	-	-	-	10,477,584
Acquisition – NAC Northern Alberta LP (Note 12)	2,173,913	1,500,000	-	-	-	(1,548,226)	266,417	218,191
Acquisition – New Leaf Emporium Inc. (Note 12)	649,880	526,403	-	-	-	-	-	526,403
Shares issued for contract settlement (Note 13)	90,000	72,900	-	-	-	-	-	72,900
Warrants issued	-	-	316,689	-	-	-	-	316,689
Convertible debentures (Note 11)	1,290,150	881,504	-	3,555,448	-	-	-	4,436,952
Share based compensation	-	-	-	948,382	-	-	-	948,382
Share issuance costs	-	(9,956)	-	-	-	-	-	(9,956)
Transaction costs	-	(539,009)	-	-	-	-	-	(539,009)
Non-controlling interest	-	-	-	-	-	-	(661,162)	(661,162)
Net loss and comprehensive loss for the period	-	-	-	-	-	(17,638,798)	-	(17,638,798)
Balance, May 31 2019	187,390,996	58,994,769	3,268,924	5,749,285	(428,571)	(37,616,014)	4,561,586	34,529,979

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Cash Flows
Nine months ended May 31, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net loss and comprehensive loss	(18,299,960)	(4,981,684)
Adjustments not effecting cash		
Accretion expense	1,387,258	-
Amortization of property and equipment	1,183,932	271,263
Amortization of intangible assets	1,257,399	279,422
Amortization of lease inducement	52,094	(2,825)
Interest expense paid by shares	881,504	-
Issuance of warrants for consulting fees	129,952	136,798
Issuance of shares for consulting fees	72,900	-
Share-based compensation	948,382	465,326
Loss on disposal of assets	100,482	-
Deferred tax recovery	(876,567)	-
	(13,162,624)	(3,831,790)
Changes in non-cash working capital		
Trade and other receivables	(633,874)	(297,488)
Inventory	(8,408,739)	(30,146)
Prepaid expenses	(538,167)	(346,340)
Trade and other payables	1,644,061	(52,109)
Deferred revenues	-	(40,922)
Cash flows used in operating activities	(21,099,343)	(4,598,795)
Investing Activities		
Convertible note receivable	-	(1,850,000)
Investments	(78,068)	-
Acquisition of New Leaf Emporium, net of cash acquired	(1,197,888)	-
Acquisition of GreenCo, net of cash acquired	(4,958,771)	-
Acquisition of property and equipment	(12,148,424)	(229,425)
Cash flows used in investing activities	(18,383,151)	(2,079,425)
Financing Activities		
Debt financing	9,000,000	-
Repayment of debt financing	(25,000,000)	-
Issuance of share capital	20,000,000	6,000,000
Issuance of convertible debentures	21,150,000	-
Issuance costs – convertible debentures	(905,170)	-
Issuance of warrants	1,598	259,758
Issuance of options	288,750	436,198
Share issuance costs	(9,956)	(159,355)
Transaction costs	(539,009)	(331,146)
Note payable	-	(315,000)
Shareholder Loans	180,000	-
Cash flows provided by financing activities	24,166,213	5,890,455
Net increase (decrease) in cash and cash equivalents	(15,316,281)	(787,765)
Cash and cash equivalents, beginning of period	23,496,232	4,871,790
Cash and cash equivalents, end of period	8,179,951	4,084,025

The accompanying notes and schedules are an integral part of these Condensed Interim Consolidated Financial Statements.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

1. NATURE OF OPERATIONS AND GOING CONCERN

National Access Cannabis Corp., formerly Brassneck Capital Corp. (“NAC” or “the Company”) was incorporated under the name Brassneck Capital Corp. pursuant to the provisions of the Business Corporations Act (Alberta) on June 18, 2015. 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 Company was a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSXV. Pursuant to the terms of an amalgamation agreement dated July 10, 2017 between Brassneck Capital Corp., National Access Cannabis Corp. (NAC) and 1119622 B.C. Ltd. (Subco), a wholly owned subsidiary of Brassneck Capital Corp., NAC and Subco amalgamated under the Business Corporations Act (British Columbia) to form a new company under the corporate name National Access Clinic Corp. (Clinic Corp). Clinic Corp. will carry on the business previously carried on by NAC as a subsidiary of the Company. On August 30, 2017, as part of the Qualifying Transaction (described in the following paragraph), Brassneck Capital Corp. amended its articles to complete a 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. Also, on August 30, 2017, as part of the Qualifying Transaction, Brassneck Capital Corp. changed its name to National Access Cannabis Corp.

The Company's common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “META”.

The Company and its subsidiaries are in the business of operating retail locations to sell and distribute cannabis and cannabis related products, effective October 2018 with the Cannabis Act coming into force. The Company also operates in the medical cannabis market by providing cannabinoid education and introducing patients to medical cannabis treatments via its national network of physicians and health professionals.

Going Concern Assumption

These interim condensed consolidated financial statements for the period ended May 31, 2019 have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the development stage of expanding by opening and acquiring cannabis retail locations throughout Canada. While these financial statements have been prepared on a going concern basis, the Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. Several alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. The Company has incurred losses since incorporation and as at May 31, 2019 has an accumulated deficit of \$37,616,014. These factors indicate a material uncertainty that may cast significant doubt about the Company being able to continue as a going concern.

The interim condensed consolidated financial statements for the period ended May 31, 2019 do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended May 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting*" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended August 31, 2018.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2019.

2.2 Basis of measurement

The consolidated financial statements, presented in Canadian Dollars, have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of National Access Cannabis Corporation, and the wholly-owned subsidiaries, National Access Clinic Corporation, National Access Canada Corporation, Wilson Master Apps Inc, National Access Cannabis MB Retail Holdings Corp, NAC Southern Alberta Ltd, META West Coast Ltd, NAC Ontario Ltd, The Green Company Limited, National Access Cannabis Management Corp, National Access Cannabis (MB FN) LP Holdings Corp, National Access Cannabis LP Holdings Corp, National Access Cannabis GP Holding Corp, META Cannabis Supply Corp, NAC Northern Alberta Limited Partnership, and New Leaf Emporium Inc. The Company also has a 51% controlling interest in National Access Cannabis Medical Inc, a 57.1% controlling interest in NAC Bio Inc, and a 49% interest in NAC OCN GP Ltd, NAC OCN Limited Partnership, NAC Thompson North GP Ltd, NAC Thompson North Limited Partnership, NAC Long Plain GP Ltd, NAC Long Plain Limited Partnership, NAC Arrowhead GP Ltd and NAC Arrowhead Limited Partnership. The subsidiaries are controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the day control ceases. Non-controlling interests in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position.

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

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

3. NEW STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE

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

IFRS 9 '*Financial Instruments: Classification and Measurement*' is required for reporting periods beginning on or after January 1, 2018 with retrospective application. IFRS 9 replaces the classification and measurement models in IAS 39 '*Financial Instruments: Recognition and Measurement*', with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale. The Company has adopted IFRS 9 on September 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at September 1, 2018.

For all financial instruments, there are no significant changes in the classification and measurement of the Company's financial assets and financial liabilities and will continue to be measured on the same basis as is currently adopted under IAS 39. We have assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

Financial Assets	IFRS 9	IAS 39
Cash	FVTPL	FVTPL
Investments	FVTPL	FVTPL
Trade receivables	Amortized cost	Loans and receivables
Loan receivables	FVTPL or amortized cost	Loans and receivables
Financial Liabilities		
Trade and other payables	Amortized cost	Other financial liabilities
Debt financing	Amortized cost	Other financial liabilities
Convertible debt	Amortized cost	Other financial liabilities
Loans payable and other liability	Amortized cost	Other financial liabilities

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. There have been no material changes in credit risk resulting in an impairment of financial assets.

IFRS 15 '*Revenue from contracts with customers*' was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The effective date is for annual periods beginning or after January 1, 2018.

This standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

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

The Company has adopted IFRS 15 on September 1, 2018 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of September 1, 2018 and comparatives will not be restated. The Company has completed its assessment of the impact from this new standard. Under IFRS 15, referral revenues earned from Licensed Producers are recognized over a period of time as the referred patients remain an active purchaser with the Licensed producer. Based on the Company's assessment, the application of IFRS 15 has not resulted in any change in the revenue recognition from the previous IFRS standard.

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

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

4. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of the following:

	May 31 2019	August 31 2018
Trade receivables	328,501	579,504
Sales taxes recoverable	1,203,275	302,957
	<u>1,531,776</u>	<u>882,461</u>

5. INVENTORY

Inventory consists of cannabis inventory and merchandise and accessories at retail locations which have been granted licenses.

	May 31 2019	August 31 2018
Cannabis inventory	8,046,360	-
Merchandise and accessories	626,347	51,062
	<u>8,672,707</u>	<u>51,062</u>

During the nine months ended May 31, 2019, \$24,775,435 of inventory was recognized as an expense (\$104,975 for the year ended August 31, 2018).

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended May 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

6. PREPAIDS

The Company's prepaid expenses consist of the following:

	May 31 2019	August 31 2018
Prepaid inventory	760,861	-
Prepaid lease deposits	833,048	548,663
Other deposits	237,078	118,044
	<u>1,830,987</u>	<u>666,707</u>

7. PROPERTY AND EQUIPMENT

	Furniture And Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvement	Borrowing Cost	Total
Cost:							
At August 31, 2017	124,585	68,797	14,233	64,368	946,190	-	1,218,173
Additions	48,164	178,000	-	-	1,283,595	-	1,509,759
Disposals	-	-	-	-	(91,026)	-	(91,026)
Impairment (i)	-	-	-	-	(218,421)	-	(218,421)
At August 31, 2018	<u>172,749</u>	<u>246,797</u>	<u>14,233</u>	<u>64,368</u>	<u>1,920,338</u>	<u>-</u>	<u>2,418,485</u>
Additions	820,288	1,783,336	-	181,957	9,042,443	320,400	12,148,424
Additions from business combination	26,494	600,954	-	38,222	1,588,650	-	2,254,320
Disposals	(21,884)	(2,562)	-	(19,763)	(79,782)	-	(123,991)
At May 31, 2019	<u>997,647</u>	<u>2,628,525</u>	<u>14,233</u>	<u>264,784</u>	<u>12,471,650</u>	<u>320,400</u>	<u>16,697,238</u>
Accumulated Amortization							
At August 31, 2017	30,190	28,074	10,453	13,894	317,910	-	400,521
Amortization	27,765	31,376	3,780	12,874	286,651	-	362,445
Disposals	-	-	-	-	(75,937)	-	(75,937)
At August 31, 2018	<u>57,955</u>	<u>59,450</u>	<u>14,233</u>	<u>26,768</u>	<u>528,625</u>	<u>-</u>	<u>687,029</u>
Amortization	97,237	347,384	-	24,125	677,806	37,380	1,183,932
Disposals	(12,492)	(175)	-	(10,303)	(540)	-	(23,510)
At May 31, 2019	<u>142,700</u>	<u>406,659</u>	<u>14,233</u>	<u>40,590</u>	<u>1,205,890</u>	<u>37,380</u>	<u>1,847,453</u>
Carrying amounts:							
At August 31, 2018	<u>114,794</u>	<u>187,347</u>	<u>-</u>	<u>37,600</u>	<u>1,391,713</u>	<u>-</u>	<u>1,731,456</u>
At May 31, 2019	<u>854,946</u>	<u>2,221,866</u>	<u>-</u>	<u>224,194</u>	<u>11,265,759</u>	<u>283,020</u>	<u>14,849,785</u>

Interest of \$320,400 was capitalized to leasehold improvements during the period ended May 31, 2019.

(i) Impairment Loss

In 2018 the Company undertook a strategic shift with regards to its medical clinic operations and pivoting operations into partnerships with existing pharmacies with the anticipation of pharmacies receiving a license to dispense cannabis medicines. NAC proactively started to develop a synergistic cannabis program to ensure that NAC could take advantage of this future channel. To further enhance this strategic shift, NAC acquired 51% of Cannabis Care Group in April 2018. Following acquisition, CCG changed its name to National Access Cannabis Medical Inc. ("NACM").

As a result of the strategic shift, an impairment test was performed on the CGU's related to the existing seven medical clinics the Company operates (Victoria, Calgary, Saskatoon, Winnipeg, Toronto, Ottawa and

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7. PROPERTY AND EQUIPMENT (continued)

Halifax). In assessing if an impairment loss was required, the recoverable amount of each CGU was determined to be equal to its value in use. In estimating the value in use for each CGU, cash flow projections were prepared for a period of five years and discounted using a rate of 15%. Key assumptions that were used in the cash flow projections include using a growth rate of 2%; capitalization factor of 7.69 and applying a tax rate of 26.5%. The results of the cash flow projections indicated that the Victoria, Calgary, Saskatoon and Halifax clinic locations were impaired as their carrying value exceeded the respective recoverable value of the corresponding CGU. The resulting impairment that was recorded for each clinic was as follows: 1) Victoria – an impairment loss of \$125,000 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been allocated to the CGU; 2) Calgary – an impairment loss of \$102,332 was applied to the carrying value of goodwill; 3) Saskatoon – an impairment loss of \$13,366 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been

allocated to the CGU; and 4) Halifax - an impairment loss of \$80,055 was applied to leasehold improvements as no goodwill or other intangible assets with indefinite lives have been allocated to the CGU.

The total impairment loss for leasehold improvements and goodwill of \$320,753 has been recorded under Impairment loss on the Consolidated Statements of Loss as at August 31, 2018.

8. INTANGIBLE ASSETS AND GOODWILL

	Total Goodwill	Service Contracts	Strategic Alliance (i)	Cannabis Licenses	Trademark	Software Licenses	Total Intangible Assets
Cost:							
At August 31, 2017	1,516,271	-	-	-	-	100,000	100,000
Additions, (Note 12)	-	13,000,784	2,654,500	-	-	-	15,655,284
Disposals	-	-	-	-	-	(100,000)	(100,000)
Impairment (Note 7)	(102,332)	-	-	-	-	-	-
At August 31, 2018	1,413,939	13,000,784	2,654,500	-	-	-	15,655,284
Additions, (Note 12)	6,595,192	-	-	26,148,000	30,000	-	26,178,000
At May 31, 2019	8,009,131	13,000,784	2,654,500	26,148,000	30,000	-	41,833,284
Accumulated Amortization							
At August 31, 2017	-	-	-	-	-	100,000	100,000
Amortization	-	-	698,555	-	-	-	698,555
Disposals	-	-	-	-	-	(100,000)	(100,000)
At August 31, 2018	-	-	698,555	-	-	-	698,555
Amortization	-	-	1,257,399	-	-	-	1,257,399
At May 31, 2019	-	-	1,955,954	-	-	-	1,955,954
Carrying amounts:							
At August 31, 2018	1,413,939	13,000,784	1,955,945	-	-	-	14,956,729
At May 31, 2019	8,009,131	13,000,784	698,546	26,148,000	30,000	-	39,877,330

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8. INTANGIBLE ASSETS AND GOODWILL (continued)

(i) Second Cup Strategic Alliance

On April 11, 2018, the Company entered into a strategic alliance with The Second Cup Ltd. ("Second Cup") to develop and operate a network of NAC branded recreational cannabis dispensaries initially across Western Canada, expanding to include additional provinces where legally permissible.

In consideration of Second Cup agreeing to enter into this strategic alliance, the Company issued warrants to purchase an aggregate of 5,000,000 common shares of the Company. The warrants have an exercise price of \$0.91 per common share and expire on April 11, 2023. The warrants were attributed a fair value of \$2,654,500 using the Black-Scholes option pricing model with the following assumptions: fair value of security of \$0.91; expected life of five years; \$Nil dividends; 70% volatility; and a risk-free interest rate of 1.60%.

The strategic alliance has been recognized as an Intangible Asset and is amortized over 19 months, the useful life in accordance with the terms of the agreement.

9. DEBT FINANCING

On July 20, 2018, the Company entered into a \$25,000,000 loan agreement with Opaskwayak Cree Nation ("OCN"). The loan had a six-month term and carried an interest rate of 10% per annum. On November 23, 2018 the Company fully repaid the outstanding OCN loan. The sum of the payout was \$26,716,197 which included the principal repayment of \$25,000,000 and \$1,642,857 in commitment fees. The balance of the payout included payments for interest and other payment obligations including legal fees, and other expenses.

On December 14, 2018, the Company entered into a \$9,000,000 loan agreement with OCN. The loan had a six-month term and carried an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of \$1.08 per Common Share for a period of three years from the date of the loan agreement. On May 30, 2019, the Company converted its \$9,000,000 term loan with OCN, having a maturity date of June 14th, 2019 into an open line of credit. The line of credit carries an interest rate of 10% cent per annum with a December 14, 2019 maturity date.

The warrants issued were valued at \$186,732 using the Black-Scholes option pricing model and the following variables: exercise price of \$1.08; expected life of 3 years; \$Nil dividends, 74% volatility, and risk-free interest rate of 2.2%. The accreted interest was \$171,342 and recorded as accretion expense on the statement of net loss. Based on this calculation the liability component is valued at \$8,984,610 at May 31, 2019.

10. NOTE PAYABLE AND DUE TO SHAREHOLDERS

During the twelve months ended August 31, 2018, 2627639 Ontario Inc., a company controlled by a Director of the Company, and 2627786 Ontario Inc., a shareholder of the Company, each advanced a proportional share of \$115,000 in shareholder loans into NACM for a total of \$230,000. During the nine months ended May 31, 2019, an additional \$180,000 was advanced into NACM by 2627639 Ontario Inc. The shareholder loans are non-interest bearing and have no terms of repayment.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

11. CONVERTIBLE DEBENTURE

On November 23, 2018, the Company completed a private placement offering of special warrants that entitle the holders to receive 8% senior secured convertible debentures of the Company upon exercise of the special warrants. 21,150 special warrants were issued at a price of \$1,000 per special warrant for aggregate gross proceeds to the Company of \$21,150,000. In consideration of the services provided by the agents under the offering, the Company paid the agents a cash fee equal to 6% of the gross proceeds of the offering.

The Convertible Debentures will bear interest at a rate of 8.00% per annum, payable semi-annually in arrears on May 31 and November 30 of each year, commencing May 31, 2019. The Convertible Debentures will be convertible at any time at the option of the holders thereof into common shares of the Company at a conversion price of \$1.08 per Common Share, subject to customary adjustment. The Convertible Debentures will mature on November 30, 2021.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 18.5%, being management's best estimate of the rate that a non-convertible debenture with similar terms would earn.

The Company has allocated the proceeds from issuance between the estimated fair value of equity and debt components using an effective interest rate for the debt component of 18.5%. Based on this calculation, the liability component is \$16,509,147 and the residual equity component is \$3,555,448. As at May 31, 2019, the accreted interest on the debenture was \$717,978 and interest expense amounted to \$881,504.

Pursuant to the terms of the convertible debenture indenture governing the terms of the Convertible Debentures dated November 23, 2018, between the Company and TSX Trust Company, the Company had elected to satisfy the entirety of the current interest obligation due and payable on the Convertible Debentures in the amount of \$41.78 for each \$1,000 of Convertible Debentures (the "Current Interest Obligation") by the delivery of Common Shares. The Company issued 1,290,150 Common Shares in satisfaction of the Current Interest Obligation, which was equal to the volume weighted average price of the Common Shares for the ten consecutive trading days ending on May 28, 2019.

12. ACQUISITIONS**(i) National Access Cannabis Medical Inc. ("NACM")**

On April 9, 2018, the Company acquired 51% of the net assets in National Access Cannabis Medical Inc. ("NACM"), an entity with service agreements with 40 pharmacies in Canada providing solutions for medical cannabis patients.

The Company acquired 51% of the common shares of NACM for a total consideration of \$5,080,000 consisting of:

Consideration	
4,297,872 common shares	4,040,000
Contingent consideration	1,040,000
	5,080,000

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

12. ACQUISITIONS (continued)

The share purchase agreement provides that for a period of up to five years, the Vendors shall be entitled to receive up to \$6,080,000 of additional shares of the Company upon meeting certain milestones which are contingent on entering into active service agreements with new pharmacies. The contingent consideration was recognized as a liability based on the estimated probability of occurrence over five years. To derive the value of the contingent consideration, the expected milestones were assessed probabilities by management.

The allocation of the consideration to the fair value of the net assets acquired at the date of acquisition is as follows:

Intangible Assets	9,960,784
Non-controlling interest	<u>(4,880,784)</u>
	<u>5,080,000</u>

The fair value of the contingent consideration is based on management's preliminary assessment at the date of acquisition and is subject to change. Refer to Note 19 for more detail.

(ii) NAC Bio Inc. ("NAC Bio")

On May 23, 2018, the Company invested \$1,000,000 into NAC Bio, a separate legal entity established to advance clinical research in the medical benefits of cannabis in the treatment of chronic disease and illness. In connection with the closing, the Company invested an initial amount of \$400,000 and has contributed the remaining \$600,000 as at May 31, 2019. Upon closing, NAC held a 57.1% stake in NAC Bio. Accumulated Other Comprehensive Loss attributable to NAC's non-controlling equity interest in NAC Bio was \$428,571 as of August 31, 2018.

(iii) Green Co

On May 25, 2018, the Company subscribed for a \$1,850,000 secured convertible debenture of The Green Company Ltd. ("NewLeaf"). The loan was extended to NewLeaf for the capital expenditure required to build out recreational cannabis retail stores in the province of Alberta. The loan bore interest at 5.45% per annum and was due on or before May 25, 2020. On August 22, 2018, the Company elected to convert the Convertible Debenture into common shares of NewLeaf. As a result of the transaction, the Company held a 9.9% equity interest of NewLeaf's outstanding common shares as at August 31, 2018. On September 10, 2018, the Company exercised an option to acquire all of the shares of New Leaf not already owned by the Company for 23,582,000 shares in escrow and \$5,895,500 cash pursuant to the terms of an option agreement between the Company, New Leaf and all of the shareholders of NewLeaf. The consideration held in escrow is to be released to the former shareholders of NewLeaf upon the satisfaction of receiving cannabis licenses for up to 25 retail locations.

The shares held in escrow were recorded as equity based contingent consideration. The achievement of receiving cannabis licenses was assessed probabilities by management which were then discounted to present value in order to derive a fair value of the contingent consideration. The amount of contingent consideration for the period is \$10,702,874 and the fair value of cash transferred and still held in escrow amounts to \$2,594,020 and is classified as restricted cash. As at May 31, 2019, a total of 14 cannabis licenses have been obtained and the fair value of share capital amounting to \$10,477,584 has been recognized for the period. The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business. The following table summarizes the fair value of the net assets acquired.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****12. ACQUISITIONS (continued)**

Fair value of NAC shares	18,709,972
Fair value of cash consideration payable	5,274,028
Fair value of NAC 9.9% equity interest in NewLeaf	1,850,000
Debt settlement	1,750,000
Total Fair Value of Purchase Consideration	27,584,000

Net assets acquired include:	
Cash and cash equivalents	936,729
Prepaid expenses	626,113
Inventory	107,624
Property, plant and equipment	2,120,772
Cannabis Licenses	24,730,000
Trademark	30,000
Goodwill	5,900,653
Trade and other payables	(342,585)
Lease inducements	(290,520)
Deferred tax liability	(6,234,786)
Total net assets acquired	27,584,000

(iv) NAC Alberta Inc.

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 of NAC at a price of \$0.69 per NAC common share (the "Acquisition").

As a result of the transaction, the Company acquired an additional 49% interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership, and now owns 100% of both entities. The acquisition did not result in a change of control and therefore the transaction has been accounted for as an equity transaction with non-controlling interest, resulting in the following:

Consideration paid	1,500,000
Items recognized directly in retained earnings:	
Adjusted partnership debt	(218,191)
Net assets attributable to non-controlling interest	266,417
Decrease in equity attributable to shareholders of National Access Cannabis	1,548,226

(v) New Leaf Emporium Inc.

On April 18, 2019, the Company completed the acquisition of all of the issued and outstanding shares of New Leaf Emporium Inc. New Leaf Emporium Inc. operates a retail cannabis location in Moose Jaw, Saskatchewan. Under the terms of the share purchase agreement, the total purchase price payable for the New Leaf Emporium shares is \$1.6 million, comprised of a cash payment of \$1.2 million and the issuance of 649,880 common shares of the Company, which have an aggregate dollar value of approximately \$400,000 as at January 15, 2019 when the shares were transferred to Escrow. The value of shares transferred to Escrow were \$526,403 when the transaction closed on April 18, 2019. Additionally, pursuant to the terms of the agreement the Company will reimburse New Leaf Emporium for certain expenses associated with the build out of the Moose Jaw premises on standard commercial terms.

The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business. The allocation is preliminary as Management is in the

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****12. ACQUISITIONS (continued)**

process of gathering the relevant information that existed at the acquisition date to determine the fair value of net identifiable assets acquired. The following table summarizes the fair value of the net assets acquired.

Fair value of NAC shares	526,403
Fair value of Cash consideration	1,381,668
Debt settlement	78,130
Total Consideration	1,986,201

Net assets acquired include:

Cash and cash equivalents	2,112
Trade and accrued receivables	15,441
Inventory	105,282
Property, plant and equipment	133,548
Cannabis License	1,418,000
Goodwill	694,538
Trade and other payables	(5,728)
Deferred tax liability	(376,993)
Total net assets acquired	1,986,201

13. EQUITY INSTRUMENTS**(a) Share Capital**

Authorized:

The authorized capital stock of the Company consists of an unlimited number of common shares.

	Number of shares	Amounts
Balance, September 1, 2017	115,974,163	15,311,030
Options exercised (i)	2,434,037	436,198
Warrants exercised (ii)	1,300,252	259,758
Private Placement (iii)	10,909,091	6,000,000
Acquisition – National Access Cannabis Medical Inc. (iv)	4,297,872	4,040,000
Share Based compensation (v)	(50,000)	(6,250)
Share issuance costs	-	(159,355)
Transaction costs	-	(331,146)
Balance, May 31, 2018	134,865,415	25,550,235
Options exercised (i)	643,075	78,452
Warrants exercised (ii)	191,768	168,619
Share issuance costs	-	(2,308)
Transaction costs	-	(3)
Balance, August 31, 2018	135,700,258	25,794,995
Options exercised (vi)	1,925,000	288,750
Warrants exercised (vii)	1,775	1,598
Private Placement (viii)	21,978,020	20,000,000
Acquisition – The Green Company Ltd. (ix)	23,582,000	10,477,584
Acquisition – NAC Northern Alberta LP (x)	2,173,913	1,500,000
Acquisition – New Leaf Emporium (xi)	649,880	526,403
Convertible Debenture (xii)	1,290,150	881,504
Shares issued for contract settlement (xiii)	90,000	72,900
Share issuance costs	-	(9,956)
Transaction costs	-	(539,009)
Balance, May 31, 2019	187,390,996	58,994,769

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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13. EQUITY INSTRUMENTS (continued)

(i) During the twelve months ended August 31, 2018, a total of 3,077,112 options were exercised at a weighted average exercise price of \$0.17.

(ii) During the twelve months ended August 31, 2018, a total of 1,492,020 warrants were exercised at a weighted average exercise price of \$0.29.

(iii) On January 19, 2018, the Company completed a non-brokered private placement pursuant to which it issued 10,909,091 units of the Company for aggregate gross proceeds of \$6,000,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share at a price of \$0.90 per warrants share, subject to adjustment in certain events, for a period of 24 months following the closing date. In connection with the closing of the private placement, the Company paid the Agents a cash commission of \$194,346 and issued Agent warrants exercisable to acquire 353,356 shares at an exercise price of \$0.90 per share exercisable until January 30, 2020. The warrants were valued at \$136,798 using the Black-Scholes option pricing model and the following variables: stock price of \$0.95; expected life of two years; \$Nil dividends; 71% volatility; and risk-free interest rate of 1.04%.

(iv) On April 9, 2018, the Company acquired a 51% ownership interest in National Access Cannabis Medical Inc. ("NACM"), an entity that has established service agreements with over 40 pharmacies in Canada that provide turnkey cannabis program solutions for medical cannabis patients. The acquisition was completed pursuant to a share purchase agreement entered into between NAC, 2627639 Ontario Inc. and 2627786 Ontario Inc, pursuant to which the Company acquired 51% of NACM for an aggregate purchase price of \$4,040,000 payable to the vendors through the issuance of 4,297,872 common shares in the capital of the Company at a price of \$0.94 per share.

(v) On February 8, 2018 50,000 performance shares were cancelled.

(vi) During the nine months ended May 31, 2019 1,925,000 options were exercised at a weighted average exercise price of \$0.15.

(vii) During the nine months ended May 31, 2019 1,775 warrants were exercised at a weighted average exercise price of \$0.90.

(viii) On October 26, 2018, the Company closed the first tranche of a private placement of 21,978,020 Common Shares at a price of 0.91 per Common Share for total proceeds of \$20.0 million. The closing was the first of three tranches pursuant to the terms and conditions of applicable subscription agreements and master investment agreements (the "Subscription Documents") whereby four Licensed Producers, Aphria Inc., CannTrust Inc., VIVO Cannabis Inc. and Zenabis Ltd. (the "LPs") subscribed, in aggregate, for up to \$55 million in Common Shares in three tranches, subject to the terms and conditions of the Subscription Documents, including the achievement of future retail expansion milestones (the "LP Financing"). In order to participate in the LP Financing, NAC and each of the LPs entered into the Subscription Documents committing to, among other things, subscribe for an aggregate amount of either \$10,000,000 or \$15,000,000 of Common Shares in two or three tranches.

(ix) 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

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locations in Alberta. If certain milestones are not met within a defined timeline, proportionate amounts of the NewLeaf Consideration will be returned to NAC.

(x) On November 30, 2018, the Company acquired all of NAC Alberta Inc.'s minority interest in NAC Northern Alberta GP and NAC Northern Alberta Limited Partnership for the forgiveness of \$192,702 of debt and the issuance of 2,173,913 Common Shares at a price of \$0.69 per Common Share (the "Acquisition"). The Acquisition gives NAC 100% ownership in NAC Northern Alberta GP and NAC Northern Alberta LP.

(xi) On April 18, 2019, the Company completed the acquisition of all of the issued and outstanding shares of New Leaf Emporium Inc. New Leaf Emporium Inc. operates a retail cannabis location in Moose Jaw, Saskatchewan. Under the terms of the share purchase agreement, the total purchase price payable for the New Leaf Emporium shares is \$1.6 million, comprised of a cash payment of \$1.2 million and the issuance of 649,880 common shares of the Company, which have an aggregate dollar value of approximately \$400,000. Additionally, pursuant to the terms of the agreement the Company will reimburse New Leaf Emporium for certain expenses associated with the build out of the Moose Jaw premises on standard commercial terms.

(xii) Pursuant to the terms of the convertible debenture indenture governing the terms of the Convertible Debentures dated November 23, 2018, between the Company and TSX Trust Company, the Company had elected to satisfy the entirety of the current interest obligation due and payable on the Convertible Debentures in the amount of \$41.78 for each \$1,000 of Convertible Debentures (the "Current Interest Obligation") by the delivery of Common Shares. The Company issued 1,290,150 Common Shares in satisfaction of the Current Interest Obligation, which was equal to the volume weighted average price of the Common Shares for the ten consecutive trading days ending on May 28, 2019.

(xiii) On April 17, 2019 the Company issued 90,000 common shares as consideration for the termination of a consulting agreement.

(b) Warrants

	May 31, 2019		August 31, 2018	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Outstanding, beginning of the period	10,755,937	0.90	1,440,050	0.17
Expired during the period	-	-	-	-
Issued during the period	1,860,000	0.88	10,807,908	0.90
Exercised during the period	(1,775)	0.90	(1,492,021)	0.29
Outstanding, end of the period	12,614,162	0.89	10,755,937	0.90

The following table summarizes the warrants that remain outstanding as at May 31, 2019:

Exercise Price \$	Warrants #	Expiry Date
0.25	133,687	July 10, 2019
0.70	960,000	August 1, 2019
0.90	5,620,475	January 30, 2020
0.91	5,000,000	April 11, 2023
1.08	900,000	December 21, 2021
	12,614,162	

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****14. STOCK OPTION PLAN**

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest immediately or throughout a set time period and expire at various dates from the date of the grant. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 2,810,000 options issued for the period ending May 31, 2019 (August 31, 2018 – 3,360,000). The employee compensation expense related to options vested for the period ended May 31, 2019 is \$948,382 (August 31, 2018 - \$823,148). The Company may issue up to 10% of the issued and outstanding common shares under its stock option plan. A summary of the status of the Company's issued and outstanding stock options as of May 31, 2019 and August 31, 2018, and changes during the years ended on those dates, is presented below:

	May 31, 2019		August 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	8,151,892	0.39	8,269,004	0.15
Granted	2,810,000	0.75	3,360,000	0.71
Exercised	(1,925,000)	0.15	(3,077,112)	0.17
Forfeited	(1,275,000)	0.32	-	-
Cancelled	-	-	(400,000)	0.25
Outstanding, end of period	7,761,892	0.59	8,151,892	0.39

The following table summarizes information about stock options as at May 31, 2019:

Exercise price \$	Number outstanding at May 31, 2019	Weighted average remaining contractual life (years)	Number exercisable at May 31, 2019	Weighted average remaining contractual life (years)
0.083	66,892	6.8	66,892	6.8
0.15	1,300,000	0.2	1,300,000	0.2
0.25	1,090,000	3.5	1,090,000	3.5
0.51	250,000	3.6	250,000	3.6
0.55	160,000	3.6	160,000	3.6
0.60	120,000	4.5	15,000	4.5
0.61	195,000	4.6	60,000	4.6
0.67	75,000	4.0	60,000	4.0
0.70	1,645,000	3.7	553,328	3.7
0.85	1,310,000	3.7	1,310,000	3.7
0.86	600,000	3.9	600,000	3.9
0.91	350,000	4.7	175,000	4.7
0.92	500,000	3.9	-	-
1.04	100,000	3.8	100,000	3.8
0.59	7,761,892	3.2	5,740,220	3.4

The weighted average exercise price was \$0.59 as at May 31, 2019 (August 31, 2018 - \$0.39) for exercisable options. For the nine months ended May 31, 2019, the Company recorded \$948,382 (May 31, 2018 - \$465,236) in stock-based compensation expense related to employee options, which are measured

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****14. STOCK OPTION PLAN (continued)**

at fair value at the date of grant and are expensed over the vesting period. In determining the amount of stock-based compensation, the Company used the Black-Scholes option pricing method to establish the fair value of options granted by applying the following assumptions:

	May 31, 2019	May 31, 2018
Risk-free interest rate	1.55%-2.20%	0.87% - 1.60%
Expected life of options (years)	3-5	3-5
Expected annualized volatility	70%-74%	70%-71%
Expected dividend yield	Nil	Nil

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

15. SEGMENTED INFORMATION

Throughout the period ended May 31, 2019, the Company operated in three segments;

- i) Medical Cannabis Education Clinics - the Company owns and operates medical clinics designed to connect patients suffering from illnesses that may be helped by medical cannabis with Licensed Producers by providing such patients with the opportunity to access qualified health care practitioners and independent medical cannabis evaluations and advice.
- ii) Research - NAC Bio Inc. is a technology and research company established to advance clinical research regarding the medical benefits of cannabis for the treatment of chronic disease and illness.
- iii) Retail Cannabis Stores – The Company operates retail locations to sell and distribute cannabis related products under its recreational cannabis brands META and NewLeaf Cannabis Corp.

As of May 31, 2019, NAC Bio Inc. was still in the early stages of planning and development. The Company's retail cannabis locations did not begin operating until October 17, 2018.

Operating segments

Three months ended May 31, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Revenue	286,163	16,759,606	-	-	17,045,769
Cost of goods sold	32,447	11,470,303	-	-	11,502,750
Gross profit	253,716	5,289,303	-	-	5,543,019
Operating expenses	636,140	5,812,588	257,950	4,025,597	10,732,275
Other expenses	16,064	84,418	-	-	100,482
Deferred tax recovery	-	-	-	(509,589)	(509,589)
Net loss	(398,488)	(607,703)	(257,950)	(3,516,008)	(4,780,149)

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****15. SEGMENTED INFORMATION (continued)**

Nine months ended May 31, 2019	Medical Cannabis Education Clinics	Retail Cannabis Stores	Research	Corporate	Total
Revenue	1,101,157	35,933,941	-	-	37,035,098
Cost of goods sold	170,778	24,755,208	-	-	24,925,986
Gross profit	930,379	11,178,733	-	-	12,109,112
Operating expenses	1,833,394	13,025,502	562,410	14,120,994	29,542,300
Other expenses	16,064	84,418	-	1,642,857	1,743,339
Deferred tax recovery	-	-	-	(876,567)	(876,567)
Net loss	(919,079)	(1,931,188)	(562,410)	(14,887,284)	(18,299,960)

16. CONSULTATION FEES

Consultation fees are fees charged to the Company by physicians for patient consultation services. If a consultation with a 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. The physician services help drive commission revenue from licensed producers. The Company incurred \$150,551 in Consultation fees for the nine-month period ended May 31, 2019 (May 31, 2018 - \$375,350).

17. FINANCE AND OTHER COSTS

	Nine months ended May 31	
	2019	2018
Accretion expense	1,387,258	-
Interest on convertible debenture	881,504	-
Interest on short-term debt	579,491	-
Total Finance and other costs	2,848,253	-

18. LOSS PER SHARE

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

	Three months ended May 31		Nine months ended May 31	
	2019	2018	2019	2018
Basic loss per share				
Total net loss attributable to shareholders of National Access Cannabis Corp	(4,520,823)	(2,232,545)	(17,638,798)	(4,889,724)
Weighted average number of common shares outstanding	185,879,662	132,679,528	178,381,267	123,322,070
Total net loss per common share, basic	(0.02)	(0.02)	(0.10)	(0.04)
Diluted loss per share				
Total net loss attributable to shareholders of National Access Cannabis Corp	(4,520,823)	(2,232,545)	(17,638,798)	(4,889,724)
Weighted average number of common shares outstanding	185,879,662	132,679,538	178,381,267	123,322,070
Effect of dilutive stock	-	-	-	-
Weighted average number of common shares outstanding assuming dilution	185,879,662	132,679,528	178,381,267	123,322,070
Total net loss per common share, diluted	(0.02)	(0.02)	(0.10)	(0.04)

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****18. LOSS PER SHARE (continued)**

The treasury stock method is used to calculate loss per share and under this method stock options and warrants that are anti-dilutive are excluded from the calculation of diluted loss per share. For the period ended May 31, 2019 and May 31, 2018, all outstanding options and warrants were considered anti-dilutive because the Company recorded a loss over those periods. The outstanding stock options and warrants that could dilute basic net loss per share in future periods but were not included in determining diluted net loss per share for the period ending May 31, 2019 and May 31, 2018 because they are antidilutive are as follows:

	2019	2018
Stock options	7,761,892	8,719,967
Warrants	12,614,162	10,947,705
	<u>20,376,054</u>	<u>19,667,672</u>

19. COMMITMENTS AND CONTINGENCIES

The Company has entered into various lease agreements having terms of 27 to 60 months. These lease agreements expire between July 31, 2019 and December 31, 2028.

As at May 31, 2019, the minimum annual lease payments are expected to be as follows:

	2019	976,650
	2020	3,665,274
	2021	3,528,320
	2022	3,543,696
2023 and there after	<u>4,604,233</u>	
		<u>16,318,173</u>

In connection with the purchase of National Access Cannabis Medical Inc, the Company has agreed to issue up to \$6,080,000 of additional shares to the Vendors, which are contingent upon meeting certain milestones. The contingent consideration was recognized as a liability based on the estimated probability of occurrence over five years. To derive the value of the contingent consideration, the expected milestones were assessed probabilities by management. A provision of \$4,080,000 has been recorded as management considers the first three milestones to be probable.

In the normal course of business, the Company is party to litigation, the results of these matters are not known at this time. Management's opinion is that the likelihood of any cash outflow as a result of these matters is remote.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Nine months ended May 31	
	2019	2018
Salaries	1,173,463	627,870
Share-based compensation	833,409	350,295
Total Key Management Compensation	<u>2,006,872</u>	<u>978,165</u>

Salaries include cash payments for base salaries and bonuses. Share-based compensation includes the compensation expense recognized during the period for key management personnel. There was \$833,409

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****20. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)**

of share-based compensation granted to key management personnel for the nine-month period ended May 31, 2019 (May 31, 2018 - \$350,295).

21. RELATED PARTY TRANSACTIONS

Rocco Meliambro, a director of the Company has been engaged to provide consulting services to the Company. During the nine months ended May 31, 2019, the Company's expenses included \$90,000 (May 31, 2018 - \$50,000) related to these services.

A Director of the Company, Christian Sinclair, is Chief of the Opaskwayak Cree Nation ("OCN"). On July 20, 2018, the Company entered into a \$25,000,000 loan agreement with OCN. The loan had a six-month term and carried an interest rate of 10% per annum. On November 22, 2018, the Company fully repaid the outstanding OCN loan. The sum of the payout was \$26,716,197 which included principal repayment of \$25,000,000 and \$1,642,857 in commitment fees. The balance of the payout included payments for interest and other payment obligations including legal fees, and other expenses.

On December 14, 2018, the Company entered into a \$9,000,000 loan agreement with OCN. The loan had a six-month term and carried an interest rate of 8% per annum payable monthly in arrears. In connection with the advance of the loan, the Company issued 900,000 warrants to OCN. Each warrant is redeemable for one Common Share in the capital of the Company at a price of \$1.08 per Common Share for a period of three years from the date of the loan agreement. On May 30, 2019, the Company converted its \$9,000,000 term loan with OCN, having a maturity date of June 14th, 2019 into an open line of credit. The line of credit carries an interest rate of 10% cent per annum with a December 14, 2019 maturity date.

22. FINANCIAL INSTRUMENTS

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

		As at May 31, 2019	As at August 31, 2018
Financial assets:			
FVTPL			
	Cash	8,179,951	23,496,232
	Restricted cash	2,594,020	-
	Investments	97,797	1,869,729
Loans and receivables			
	Trade receivables	328,501	579,504
	Loan receivables	-	1,750,000
Total financial assets		11,200,269	27,695,465
Financial liabilities:			
Financial liabilities at amortized cost			
	Trade and other payables	3,394,041	1,360,067
	Debt financing	8,984,610	25,000,000
	Due to shareholders	410,000	230,000
	Convertible debenture	16,509,147	-
Total financial liabilities		29,297,798	26,961,456

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended May 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risk, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Market risk

a) Currency risk

The Company does not operate outside of Canada and therefore there is no inherent Currency risk.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial debt have fixed rates of interest and therefore expose the Company to fair value risk as the fixed rates limit or eliminate the cash flow risk from financial liabilities.

c) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company does not hold any marketable securities or investments and therefore is exposed to a limited price fair value risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

Credit Risk

Credit risk arises from cash held with banks and trade receivables. The Company does not have a significant concentration of risk with any customer and its maximum risk exposure is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent loss on financial assets. The Company minimizes credit risk as cash is held by reputable financial institutions. The Company is not aware of any material collection issues. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. Trade receivables are written off when there is no reasonable expectation of recovery.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended May 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

23. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, treasury shares, equity-settled employee benefits reserve, deficit, and accumulated other comprehensive loss. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the period ended May 31, 2019.

24. SUBSEQUENT EVENTS

Subsequent to May 31, 2019, shareholders of the Company exercised 133,687 warrants and 1,000,000 options. The Company received \$183,421.75 in cash.

On July 15, 2019 the Company entered into a conditional share purchase agreement to acquire 19.9% of Sicamous Trading Company Incorporated ("STC"). STC currently has one retail cannabis store license application in progress with the British Columbia Liquor and Cannabis Regulation Branch ("LCRB") and plans to add more locations over the next 12 months. Pursuant to the Share Purchase Agreement, the Company will acquire 199,000 common shares in the capital of STC, being 19.9% of the issued and outstanding shares in the capital of STC, in exchange for \$200,000, payable by the issuance of common shares of the Company at a price of \$0.53 per share. The purchased shares and consideration shares are to be held in escrow until such time that STC acquires a retail cannabis store license from the LCRB and the LCRB has approved the transfer of the purchased shares to NAC. The Company has entered into a management agreement with STC whereby the Company will provide certain store development and operational services to support STC in its retail store development in exchange for management fees calculated as a set percentage of STC's store-level EBITDA.

On July 23, 2019, the Company entered into an agreement with OCN providing the Company with the option, under certain circumstances, to extend the maturity date of the OCN loan (Note 9) from December 14, 2019 to August 1, 2020. In the event that the Company exercises its option to extend the maturity date of the loan, the interest rate on the loan would increase from 10% per annum to 12% per annum, and the Company would grant OCN with warrants to purchase 1,000,000 common shares of the Company at an exercise price equal to the closing price of the Company's common shares on the date before the issuance date, or such other price as may be required by the TSXV.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the methods of presentation adopted in the current year.

NATIONAL ACCESS CANNABIS CORP.**Schedule****Three and nine months ended May 31, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

	Three months ended May 31		Nine months ended May 31	
	2019	2018	2019	2018
General and administrative expenses				
Bad debt expense	-	19,949	-	19,949
Business taxes and licenses	49,310	59,571	140,437	59,656
Computer and technology expenses	194,550	14,543	614,504	35,050
Insurance	78,784	31,823	215,630	57,395
Interest and service charges	179,770	8,796	372,526	15,247
Office and store supplies	36,971	33,909	627,058	104,796
Professional fees	427,786	380,109	2,572,636	943,466
Consulting fees	521,312	260,138	1,847,756	953,830
Rental	2,852,843	214,877	5,582,599	463,930
Repairs and maintenance	21,874	-	74,573	-
Salaries and benefits	3,563,547	764,557	9,511,257	1,861,036
Security	76,556	-	182,581	-
Travel and entertainment	279,520	62,339	553,169	225,288
Utilities	234,132	10,944	474,838	32,312
	8,516,955	1,861,555	22,769,564	4,771,955