

NATIONAL ACCESS CANNABIS CORP.

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

**For the three months ended November 30, 2019 and 2018
(Expressed in Canadian Dollars)**

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Financial Position
November 30, 2019 and August 31, 2019
(Unaudited - Expressed in Canadian Dollars)

	Notes	November 30 2019	August 31 2019
Assets			
Current			
Cash and cash equivalents	Note 4	\$ 6,847,848	\$ 7,528,849
Restricted cash		-	501,965
Trade and other receivables	Note 5	602,607	762,019
Inventory	Note 6	5,477,852	6,349,322
Prepaid expenses	Note 7	2,272,664	3,201,252
		\$ 15,200,971	\$ 18,343,407
Non-current			
Property and equipment	Note 8	\$ 11,180,758	\$ 10,621,620
Assets in process	Note 9	2,453,420	3,567,649
Right of use assets	Note 10	12,681,173	-
Prepaid expenses	Note 7	-	911,209
Loan receivable	Note 11	190,434	-
Intangible Assets		21,160,173	21,160,173
Goodwill		6,904,394	6,904,394
Total Assets		\$ 69,771,323	\$ 61,508,452
Liabilities			
Current			
Trade and other payables		\$ 3,333,700	\$ 3,637,227
Debt financing		-	9,000,000
Due to shareholders		410,000	410,000
Lease inducements		-	95,519
Lease obligation	Note 10	2,321,118	-
		\$ 6,064,818	\$ 13,142,746
Non-current			
Lease inducements		\$ -	290,305
Term loan	Note 12	9,549,353	-
Convertible debenture	Note 13	17,270,177	16,880,647
Deferred tax liability		3,626,724	3,529,008
Lease obligation	Note 10	10,240,562	-
Total Liabilities		\$ 46,751,634	\$ 33,842,706
Shareholders' Equity			
Share capital		\$ 67,840,360	\$ 67,016,838
Warrants		3,066,865	3,066,865
Contributed surplus		5,062,214	4,841,684
Accumulated other comprehensive loss		(428,571)	(428,571)
Accumulated deficit		(52,319,817)	(46,735,892)
Equity attributable to National Access Cannabis Corp		23,221,051	27,760,924
Non-controlling interest	Note 14	(201,362)	(95,178)
Total Equity		\$ 23,019,689	\$ 27,665,746
Total Liabilities and Equity		\$ 69,771,323	\$ 61,508,452

Nature of operations and going concern (Note 1)
Subsequent events (Note 23)

These financial statements were authorized for issue by the Board of Directors on January 28, 2020. They are signed on the Company's behalf by:

"Marc Lustig"

Director

"Rocco Meliambro"

Director

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

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
Three months ended November 30, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
Revenues		
Recreational - Retail	\$ 15,578,292	\$ 3,292,347
Medical - Education	218,296	494,881
	15,796,588	3,787,228
Cost of Goods Sold		
Recreational - Retail	10,750,178	2,247,985
Medical - Education	34,347	91,322
	10,784,525	2,339,307
Gross Profit	\$ 5,012,063	\$ 1,447,921
Expenses		
Advertising and marketing	187,859	258,490
Depreciation of property and equipment (Note 8)	793,595	123,851
Depreciation of right of use assets (Note 10)	785,467	-
Amortization of intangible assets	-	419,133
Share based compensation (Note 15)	220,530	297,707
Finance and other costs (Note 17)	2,035,849	2,260,281
General and administrative expenses (Note 25)	6,581,156	5,964,610
	\$ 10,604,456	\$ 9,324,072
Loss from operations before tax recovery	(5,592,393)	(7,876,151)
Deferred tax expense	97,716	-
Net loss and comprehensive loss for the period	\$ (5,690,109)	\$ (7,876,151)
Net loss and comprehensive loss attributable to:		
Shareholders of National Access Cannabis Corp	(5,583,925)	(7,706,627)
Non-controlling interest (Note 14)	(106,184)	(169,524)
	\$ (5,690,109)	\$ (7,876,151)
Net loss per share (Note 18)		
Basic and diluted	(0.03)	(0.05)

Certain comparative figures have been reclassified to conform to methods of presentation adopted in the current year (Note 24).

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

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Changes in Equity
Three months ended November 30, 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, 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	125,000	18,750	-	-	-	-	-	18,750
Warrants exercised	1,775	1,598	-	-	-	-	-	1,598
Private Placement	21,978,020	20,000,000	-	-	-	-	-	20,000,000
Acquisition – The Green Company Ltd.	23,582,000	17,152,642	-	-	-	-	-	17,152,642
Acquisition – NAC Northern Alberta LP	2,173,913	1,500,000	-	-	-	(1,548,226)	266,417	218,191
Convertible debentures	-	-	-	3,235,645	-	-	-	3,235,645
Share based compensation	-	-	-	297,707	-	-	-	297,707
Share issuance costs	-	(388,750)	-	-	-	-	-	(388,750)
Non-controlling interest	-	-	-	-	-	-	(169,524)	(169,524)
Net loss and comprehensive loss for the period	-	-	-	-	-	(7,706,627)	-	(7,706,627)
Balance, November 30 2018	183,560,966	\$ 64,079,235	\$ 2,952,235	\$ 4,778,807	\$ (428,571)	\$ (27,683,843)	\$ 5,053,224	\$ 48,751,087
Balance, August 31 2019	189,093,041	\$ 67,016,838	\$ 3,066,865	\$ 4,841,684	\$ (428,571)	\$ (46,735,892)	\$ (95,178)	\$ 27,665,746
Acquisition – The Green Company Ltd.	(2,007,860)	-	-	-	-	-	-	-
Convertible debentures (Note 13)	4,140,005	846,000	-	-	-	-	-	846,000
Share based compensation	-	-	-	220,530	-	-	-	220,530
Share issuance costs	-	(22,478)	-	-	-	-	-	(22,478)
Non-controlling interest	-	-	-	-	-	-	(106,184)	(106,184)
Net loss and comprehensive loss for the period	-	-	-	-	-	(5,583,925)	-	(5,583,925)
Balance, November 30 2019	191,225,186	\$ 67,840,360	\$ 3,066,865	\$ 5,062,214	\$ (428,571)	\$ (52,319,817)	\$ (201,362)	\$ 23,019,689

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

NATIONAL ACCESS CANNABIS CORP.
Condensed Interim Consolidated Statements of Cash Flows
Three months ended November 30, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net loss	\$ (5,690,109)	\$ (7,876,151)
Adjustments for items not effecting cash and cash equivalents		
Accretion expense	389,530	48,931
Depreciation of property and equipment	793,595	123,851
Amortization of intangible assets	-	419,133
Depreciation of right of use assets	785,467	-
Amortization of lease inducement	-	125,162
Interest expense paid by shares	846,000	-
Accretion of lease liability	448,645	-
Share-based compensation	220,530	297,707
Term loan restructuring loss	547,553	-
Term loan – non-cash interest adjustment	1,800	-
Deferred tax expense	97,716	-
	(1,559,273)	(6,861,367)
Changes in non-cash working capital related to operations		
Trade and other receivables	159,412	(497,132)
Inventory	871,470	(2,825,092)
Prepaid expenses	1,037,453	(3,187,957)
Trade and other payables	(303,527)	404,894
Cash flows provided by (used in) operating activities	205,535	(12,966,654)
Investing Activities		
Investments	-	(29,349)
Loan receivable	(190,434)	-
Acquisition of GreenCo, cash returned from escrow	501,965	(4,958,771)
Acquisition of assets in process	(33,047)	-
Acquisition of property and equipment	(205,457)	(5,997,524)
Cash flows provided by (used in) investing activities	73,027	(10,985,644)
Financing Activities		
Debt financing	-	(25,000,000)
Issuance of share capital	-	20,000,000
Issuance of convertible debentures	-	21,150,000
Issuance costs – convertible debentures	-	(905,170)
Lease liability payments	(937,085)	-
Exercise of warrants	-	1,598
Exercise of options	-	18,750
Share issuance costs	(22,478)	(388,750)
Cash flows provided by (used in) financing activities	(959,563)	14,876,428
Net decrease in cash and cash equivalents	(681,001)	(9,075,870)
Cash and cash equivalents, beginning of period	7,528,849	23,496,232
Cash and cash equivalents, end of period	\$ 6,847,848	\$ 14,420,362

Additional information on consolidated statements of cash flows (Note 19).

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

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended November 30, 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’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 condensed interim consolidated financial statements for the period ended November 30, 2019 have been prepared on the going concern basis, which assumes that the Company will continue to operate and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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 from operations since incorporation and as at November 30, 2019 has an accumulated deficit of \$52,319,817. These factors indicate a material uncertainty that may cast significant doubt about the Company being able to continue as a going concern.

The condensed interim consolidated financial statements for the period ended November 30, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Company's condensed interim consolidated financial statements 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 International Financial Reporting Interpretations Committee (“IFRIC”).

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The condensed interim consolidated financial statements do not include all of the information and disclosures required for full annual financial statements, and should be read in conjunction with the annual audited consolidated financial statements of the company for the year ended August 31, 2019, which have been prepared in accordance with IFRS. In the opinion of the Company's management, the accompanying unaudited condensed interim consolidated financial statements contain only normal recurring adjustments that are necessary for a fair presentation of its financial position, financial performance, changes in equity and cash flows for the interim period. 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, 2019. The unaudited condensed consolidated balance sheet as at November 30, 2019 was derived from the audited annual consolidated financial statements but does not contain all of the footnote disclosures from the annual financial statements.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on January 28, 2020.

2.2 Basis of measurement

The consolidated financial statements, presented in Canadian Dollars, have been prepared on a historical cost basis, except for cash, stock options and warrants which are measured at fair value.

2.3 Basis of consolidation

The consolidated financial statements include the financial results of the Company and its subsidiaries. The consolidated financial statements include the operating results of acquired entities from the date control commences until the day control ceases. Non-controlling interest in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position. All intercompany balances and transactions are eliminated upon consolidation.

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

The operating subsidiaries the Company has control over are as follows:

Subsidiaries	Percentage Ownership
National Access Canada Corporation	100%
NAC Southern Alberta Ltd.	100%
META West Coast Ltd.	100%
NAC Ontario Ltd.	100%
The Green Company Limited	100%
National Access Cannabis Management Corp	100%
NAC Northern Alberta Limited Partnership	100%
National Access Cannabis Medical Inc.	51%
NAC Bio Inc.	57.1%
NAC Thompson North Limited Partnership	49%
NAC Long Plain Limited Partnership	49%
NAC OCN Limited Partnership	49%
NAC Arrowhead Limited Partnership	49%

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended November 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

3. ADOPTION NEW STANDARDS

(i) IFRS 16, Leases

On September 1, 2019 the Company adopted IFRS 16 – Leases. The new standard has significant changes to the lessee accounting by removing the distinction between operating and finance leases and requires lessees to recognize a lease liability reflecting its obligation for future lease payments and a right of use asset representing its right to use the underlying asset.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach comparative information has not been restated and continues to be reported under IAS 17. The Company has elected to use the following practical expedients in transitioning to IFRS 16:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected to not include the initial direct costs associated with the lease in calculating the opening right of use asset.
- The Company has elected not to account for leases for which the lease term ends within 12 months as short-term leases.
- The Company has elected to record the right of use asset at an amount equal to the lease liability adjusted for prepaid or accrued lease payments.

Under IFRS 16, the Company has applied the following treatment to all leases:

- Right of use assets and lease liabilities are presented in the condensed interim consolidated statement of financial position and are measured at the present value of future lease payments discounted at the Company's incremental borrowing rate at the date of adoption.
- Right of use assets are amortized on a straight-line basis over the lease term and accretion expense is recognized on the lease liabilities using the effective interest method. Amortization of right of use assets and accretion expense are recognized in the consolidated statement of net loss and comprehensive loss.
- Total amount of cash paid, including both the principal and interest are presented in financing activities in the consolidated statement of cash flows.

The Company's weighted average incremental borrowing rate at the date of transition on September 1, 2019 was approximately 14.79%. At the date of transition, the Company recognized right of use assets of \$12,599,918 and lease liabilities of \$12,216,478. The Company capitalized prepaid lease deposits and lease inducements amounting to \$383,440 to right of use assets on September 1, 2019 in accordance with IFRS 16.

A reconciliation of lease commitments as at September 1, 2019, outlining the impact of the transition to IFRS 16 is outlined below.

Operating lease commitments at August 31, 2019	19,940,698
Variable lease payments not recognized	(1,235,949)
Present value adjustment at September, 1 2019	(6,488,271)
Lease liability recognized at September 1, 2019	<u>12,216,478</u>

NATIONAL ACCESS CANNABIS CORP.
Notes to the Condensed Interim Consolidated Financial Statements
Three months ended November 30, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

	November 30 2019	August 31 2019
Operating Cash	5,997,848	6,678,849
Guaranteed Investment Certificates	850,000	850,000
	<u>6,847,848</u>	<u>7,528,849</u>

5. TRADE AND OTHER RECEIVABLES

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

	November 30 2019	August 31 2019
Trade receivables	145,857	211,263
Sales taxes recoverable	456,750	550,756
	<u>602,607</u>	<u>762,019</u>

6. INVENTORY

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

	November 30 2019	August 31 2019
Cannabis inventory	4,927,471	5,939,276
Merchandise and accessories	550,381	410,046
	<u>5,477,852</u>	<u>6,349,322</u>

During the three months ended November 30, 2019, \$10,751,844 of inventory was recognized as an expense (\$2,255,706 for the three months ended November 30, 2018). There has been no provision for inventory recognized during the period.

7. PREPAID EXPENSES

The Company's prepaid expenses consist of the following:

	November 30 2019	August 31 2019
Prepaid inventory	408,883	1,396,245
Prepaid lease deposits	187,551	1,032,579
Other deposits	1,676,230	1,683,637
	<u>2,272,664</u>	<u>4,112,461</u>
Presented as:		
Current prepaid expenses	2,272,664	3,201,252
Long-term lease deposits	-	911,209
	<u>2,272,664</u>	<u>4,112,461</u>

The significant decrease is due to the reclassification of prepaid lease deposits to the right of use assets in accordance with IFRS 16.

NATIONAL ACCESS CANNABIS CORP.
Notes to the Condensed Interim Consolidated Financial Statements
Three months ended November 30, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Furniture And Equipment	Electronic Equipment	Information panels	Signs	Leasehold Improvements	Total
<u>Cost:</u>						
At August 31, 2019	964,591	3,164,089	14,233	241,325	8,605,431	12,989,669
Additions	26,891	66,960	-	14,531	97,075	205,457
Transferred from assets in process	29,594	249,959	-	44,808	822,915	1,147,276
At November 30, 2019	<u>1,021,076</u>	<u>3,481,008</u>	<u>14,233</u>	<u>300,664</u>	<u>9,525,421</u>	<u>14,342,402</u>
<u>Accumulated Depreciation</u>						
At August 31, 2019	182,816	637,902	14,233	51,540	1,481,558	2,368,049
Depreciation	50,017	285,251	-	14,522	443,804	793,595
At November 30, 2019	<u>232,833</u>	<u>923,153</u>	<u>14,233</u>	<u>66,062</u>	<u>1,925,362</u>	<u>3,161,644</u>
<u>Net carrying amounts:</u>						
At August 31, 2019	781,775	2,526,187	-	189,785	7,123,873	10,621,620
At November 30, 2019	<u>788,243</u>	<u>2,557,855</u>	<u>-</u>	<u>234,602</u>	<u>7,600,059</u>	<u>11,180,758</u>

9. ASSETS IN PROCESS

	Furniture And Equipment	Electronic Equipment	Signs	Leasehold Improvement	Total
<u>Cost:</u>					
At August 31, 2019	97,568	748,868	95,776	2,625,437	3,567,649
Additions	-	-	-	33,047	33,047
Transferred to property and equipment	(29,594)	(249,959)	(44,808)	(822,915)	(1,147,276)
At November 30, 2019	<u>67,974</u>	<u>498,909</u>	<u>50,968</u>	<u>1,835,569</u>	<u>2,453,420</u>
<u>Carrying amounts:</u>					
At August 31, 2019	97,568	748,868	95,776	2,625,437	3,567,649
At November 30, 2019	<u>67,974</u>	<u>498,909</u>	<u>50,968</u>	<u>1,835,568</u>	<u>2,453,420</u>

10. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

The Company has entered into various lease agreements to operate cannabis retail locations.

The following is a summary of the Company's right of use assets for the three months ended November 30, 2019:

Right of use assets	
Balance at September 1, 2019	12,599,918
Net additions	866,722
Depreciation expense	(785,467)
Balance at November 30, 2019	<u>12,681,173</u>

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****10. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS (continued)**

The following is a summary of the Company's lease obligations for the three months ended November 30, 2019:

Lease obligations	
Balance at September 1, 2019	12,216,478
Net additions	833,642
Cash outflows	(937,085)
Accretion expense	448,645
Balance at November 30, 2019	<u>12,561,680</u>
Presented as:	
Current lease obligation	2,321,118
Long-term lease obligation	<u>10,240,562</u>
	<u>12,561,680</u>

For the three months ended November 30, 2019, variable lease payments amounted to \$365,301.

The following is a summary of the contractual undiscounted cash outflows for lease obligations as of November 30, 2019:

Less than one year	4,004,391
One to three years	8,057,103
Three to five years	5,066,185
Five years onwards	<u>2,214,017</u>
Total undiscounted lease obligations	<u>19,341,696</u>

11. LOAN RECEIVABLE

During the three-month period ended November 30, 2019 the Company advanced \$190,434 to one of the winners of the Ontario cannabis store lottery for a new Kitchener cannabis retail location. Pursuant to the terms of the agreement, the loan has an interest rate of 3% per annum. The principal balance is due and payable on the fifth anniversary date of the loan.

12. TERM LOAN

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. The warrants issued were valued at \$186,732 using the Black-Scholes option pricing model and the following assumptions: fair value of common shares of \$1.08; expected life of 3 years; \$Nil dividends, 74% volatility, and risk-free interest rate of 2.2%.

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% per annum with a December 14, 2019 maturity date. On November 18, 2019, the Company entered into an Amended Loan Agreement with OCN to extend the maturity date of the loan until December 31, 2022, at an annual interest rate of 10% and an annual administration fee of \$225,000. As a result of the debt restructuring, the Company recognized a \$547,553 debt restructuring loss in the statement of net loss and comprehensive loss for the three months ended November 30, 2019.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****13. 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 commission and other costs and expenses totaling \$905,170. On January 7, 2019 the Company received a receipt from the Ontario Securities Commission for the final short form prospectus. In accordance with the terms of the special warrant indenture governing the special warrants, all unexercised special warrants are deemed to be exercised, without further action on the part of the holder, on January 10, 2019, being the third business day following the date of the Receipt.

The Convertible Debentures 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 \$17,270,177 and the residual equity component is \$3,418,081. For the three months ended November 30, 2019, the accreted interest on the debenture was \$389,530 (November 30, 2018 - \$48,931) and interest expense amounted to \$423,000 (November 30, 2018 - \$Nil).

On November 11, 2019, the Company provided notice to the registered holders of the Convertible Debentures that, 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 by the delivery of common shares in the capital of the Company. In accordance with the Debentures, interest in the amount of \$846,000 is due and payable to Debenture holders on November 30, 2018. The Common Shares issued in satisfaction of the Current Interest Obligation shall be issued at a price per Common Share of \$0.204 which equals the volume weighted average price for the ten consecutive trading days ending on November 27, 2019. As such, 4,140,005 common shares were issued to satisfy the interest obligation.

14. NON-CONTROLLING INTERESTS

The net changes in the non-controlling interests is as follows:

	NAC Bio Inc.	National Access Cannabis Medical Inc.	NAC Northern Alberta Limited Partnership	NAC Arrowhead Limited Partnership	NAC Long Plain Limited Partnership	NAC OCN Limited Partnership	NAC Thompson North Limited Partnership	Total
August 31, 2019	18,763	5,248	-	(88,949)	(52,122)	(26,614)	48,496	(95,178)
Net Income / (Loss)	(9,120)	(94,507)	-	(42,025)	16,723	2,913	19,832	(106,184)
November 30, 2019	9,643	(89,259)	-	(130,974)	(35,399)	(23,701)	68,328	(201,362)

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****15. STOCK OPTION PLAN**

The Company's 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 of the Company. 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 nil options issued for the three months ended November 30, 2019 compared to 75,000 for the three months ended November 30, 2018. The employee compensation expense related to options vested for the three months ended November 30, 2019 amounted to \$220,530, compared to the three months ended November 30, 2018 of \$297,707.

The number of options outstanding at November 30, 2019 amounts to 5,536,892 at a weighted average exercise price of \$0.66. The Company may issue up to 10% of the issued and outstanding Common Shares under its stock option plan.

16. SEGMENTED INFORMATION

Throughout the period ended November 30, 2019, the Company operated in three segments;

- i) Medical Cannabis Education - the Company owns and operates medical clinics and has service contracts with pharmacies 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 and cannabis related products under its recreational retail cannabis brands META and NewLeaf.

All the Company's revenue earned and assets are located in Canada.

Operating segments

Three months ended November 30, 2019	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Revenue	218,296	15,578,292	-	-	15,796,588
Cost of goods sold	34,347	10,750,178	-	-	10,784,525
Gross profit	183,949	4,828,114	-	-	5,012,063
Operating expenses	532,083	5,022,748	21,279	5,028,346	10,604,456
Loss from operations	(348,134)	(194,634)	(21,279)	(5,028,346)	(5,592,393)
Deferred tax expense	-	97,716	-	-	97,716
Net loss for the period	(348,134)	(292,350)	(21,279)	(5,028,346)	(5,690,109)

NATIONAL ACCESS CANNABIS CORP.
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16. SEGMENTED INFORMATION (continued)

	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Three months ended November 30, 2018					
Revenue	494,881	3,292,347	-	-	3,787,228
Cost of goods sold	91,322	2,247,985	-	-	2,339,307
Gross profit	403,559	1,044,362	-	-	1,447,921
Operating expenses	598,325	2,359,547	136,158	6,230,042	9,324,072
Loss from operations	(194,766)	(1,315,185)	(136,158)	(6,230,042)	(7,876,151)
Net loss for the period	(194,766)	(1,315,185)	(136,158)	(6,230,042)	(7,876,151)

17. FINANCE AND OTHER COSTS

	November 30, 2019	November 30, 2018
Accretion expense on convertible debentures	389,530	48,931
Accretion expense on lease liabilities	448,645	-
Interest on convertible debenture	423,000	-
Interest on debt	227,121	568,493
Loss on restructuring of term loan	547,553	-
Commitment fee	-	1,642,857
Total Finance and other costs	2,035,849	2,260,281

18. LOSS PER SHARE

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

	November 30, 2019	November 30, 2018
Basic loss per share		
Total net loss attributable to shareholders of National Access Cannabis Corp	(5,583,925)	(7,706,627)
Weighted average number of common shares outstanding	188,322,053	165,197,952
Total net loss per common share, basic	(0.03)	(0.05)
Diluted loss per share		
Total net loss attributable to shareholders of National Access Cannabis Corp	(5,583,925)	(7,706,627)
Weighted average number of common shares outstanding	188,322,053	165,197,952
Effect of dilutive potential shares	-	-
Weighted average number of common shares outstanding assuming dilution	188,322,053	165,197,952
Total net loss per common share, diluted	(0.03)	(0.05)

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 periods ended November 30, 2019 and November 30, 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 periods ending November 30, 2019 and November 30, 2018 because they are antidilutive are as follows:

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

18. LOSS PER SHARE (continued)

	November 30, 2019	November 30, 2018
Stock options	5,536,892	8,101,892
Warrants	11,520,475	10,754,162
	<u>17,057,367</u>	<u>18,856,054</u>

19. ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF CASH FLOWS

Certain investing and financing activities do not require the use of cash, and accordingly, have been excluded from the consolidated statements of cash flow. Interest paid on debt and non-cash transactions are outlined below.

	November 30, 2019	November 30, 2018
Cash paid for interest on debt	227,121	568,493
Shares issued for convertible debenture interest	846,000	-
Debt forgiveness on acquisition	-	218,191

20. RELATED PARTY TRANSACTIONS

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

A director of the Company has been engaged to provide consulting services to the Company. During the three months ended November 30, 2019, the Company's expenses included \$30,000 (November 30, 2018 - \$30,000) related to these services.

A Director of the Company is Chief of the Opaskwayak Cree Nation ("OCN"). On November 18, 2019, the Company entered into an Amended Loan Agreement with OCN to extend the maturity date of the loan until December 31, 2022, at an annual interest rate of 10% and an annual administration fee of \$225,000. As a result of the debt restructuring, the Company recognized a \$547,553 debt restructuring loss in the statements of net loss for the three months ended November 30, 2019.

NATIONAL ACCESS CANNABIS CORP.
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21. FINANCIAL INSTRUMENTS

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

		As at November 30, 2019	As at August 31, 2019
Financial assets:			
FVTPL			
	Cash and cash equivalents	6,847,848	7,528,849
	Restricted cash	-	501,965
Amortized cost			
	Trade receivables	145,857	211,263
	Loan receivable	190,434	-
Total financial assets		7,184,139	8,242,077
Financial liabilities:			
Financial liabilities at amortized cost			
	Trade and other payables	3,333,700	3,637,227
	Debt financing	9,549,353	9,000,000
	Due to shareholders	410,000	410,000
	Convertible debenture	17,270,177	16,880,647
Total financial liabilities		30,563,230	29,927,874

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.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)****21. FINANCIAL INSTRUMENTS (continued)****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.

As at November 30, 2019 the Company had \$6,847,848 in cash and cash equivalents (August 31, 2019 - \$7,528,849). The Company is obligated to pay financial liabilities with total carrying amounts and contractual cash flows amounting to \$3,743,700 in the next 12 months (August 31, 2019 - \$4,047,227). As at November 30, 2019, the Company's financial liabilities have contractual maturities as summarized below:

	Due within					November 30, 2019
	6 months	6 – 12 months	1-2 years	2-3 years	3 – 4 years	
Trade and other payables	2,416,500	917,200	-	-	-	3,333,700
Term loan	-	-	-	-	9,000,000	9,000,000
Due to shareholders	410,000	-	-	-	-	410,000
Convertible debenture	-	-	21,250,000	-	-	21,250,000
Total	2,826,500	917,200	21,250,000	-	9,000,000	33,993,700

	Due within					August 31, 2019
	6 months	6 – 12 months	1-2 years	2-3 years	3 – 4 years	
Trade and other payables	2,956,781	680,446	-	-	-	3,637,227
Debt financing	-	-	-	-	9,000,000	9,000,000
Due to shareholders	410,000	-	-	-	-	410,000
Convertible debenture	-	-	-	21,250,000	-	21,250,000
Total	3,366,781	680,446	-	21,250,000	9,000,000	34,297,227

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 as there are no material amounts past due and no significant history of bad debts. 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. There has been no allowance taken as a result of applying the expected credit loss model.

22. 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 November 30, 2019.

NATIONAL ACCESS CANNABIS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended November 30, 2019 and 2018

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23. SUBSEQUENT EVENTS

On December 18, 2019, the Company entered into a Loan Agreement with OCN in respect of an unsecured loan, pursuant to which OCN will lend up to \$11,000,000 to the Company. The Loan has a 5-year term and any funds drawn down carry an interest rate of 10% per annum and incur an annual administration fee of 2.5% on the weighted average balance of the Loan advanced to the applicable date, paid annually to OCN each December 31.

On December 19, 2019, the Company announced that it has entered into an agreement with one of the winners of the Ontario cannabis store lottery for an anticipated new Toronto cannabis retail location. The winner of the lottery, 11522302 Canada Inc., submitted 378 Yonge Street in downtown Toronto as the store location. Pending regulatory approval by the Alcohol Gaming Commission of Ontario, the retail location will be independently owned and operated by 11522302 Canada Inc, and pursuant to the agreement, the Company will act as a consulting partner and service provider to support the store's operations.

On January 9, 2020, the Company announced that is has entered into an agreement with one of the winners of the Ontario cannabis store lottery for a new Kitchener cannabis retail location. Pending regulatory approval by the Alcohol Gaming Commission of Ontario, the retail location will be independently owned and operated by the winner, and pursuant to the agreement, the Company will act as a consulting partner and service provider to support the store's operations.

On January 15, 2020, the Company announced that the transaction to sell the Company's portfolio of medical cannabis clinics from National Access Canada Corporation to Evergreen Pacific Insurance Corporation has been terminated and will not be proceeding.

On January 23, 2020, the Company entered into an agreement with Echelon Wealth Partners Inc. ("Echelon"), pursuant to which Echelon has agreed to purchase, on a bought deal basis, 45,454,600 units of the Company at a price of \$0.22 per unit for gross proceeds of approximately \$10,000,000. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at a price of \$0.29 for a period of 36 months from the closing date of the offering. As a part of the arrangement, Echelon also has the option for an over-allotment purchase for up to 15% of the original financing. The Company will pay a cash commission equal to 7% of the gross proceeds of the offering.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the methods of presentation adopted in the current year. There has been no impact on the Financial Statements.

NATIONAL ACCESS CANNABIS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three months ended November 30, 2019 and 2018****(Unaudited - Expressed in Canadian Dollars)**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	November 30 2019	November 30 2018
General and administrative expenses		
Business taxes and licenses	23,244	43,496
Computer and technology expenses	229,806	175,132
Insurance	89,973	54,107
Interest and service charges	184,410	41,728
Office and store supplies	147,945	262,436
Professional fees	1,047,174	1,404,702
Consulting fees	198,864	673,453
Rental	365,301	1,043,608
Repairs and maintenance	13,037	35,269
Salaries and benefits	3,995,643	1,965,989
Security	52,417	29,776
Travel and entertainment	100,230	169,304
Utilities	133,112	65,610
	6,581,156	5,964,610

The General and Administrative expenses identified in the chart above include the costs associated with all the Company's operating segments (i.e. Retail Cannabis Stores, Medical Cannabis Education, Research, and Corporate).