National Access Cannabis Corp. d/b/a Meta Growth
Interim MD&A – Quarterly Highlights
For the three month period ended November 30, 2019

The following discussion of National Access Cannabis Corp.'s d/b/a Meta Growth (the "**Company**" or "**NAC**") financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended November 30, 2019 and the audited consolidated financial statements for the year ended August 31, 2019 and the related annual management discussion and analysis. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts referred to in this interim management discussion and analysis – quarterly highlights ("**MD&A"**) are in Canadian dollars.

Throughout this MD&A, references are made to non-IFRS financial measures, including Adjusted EBITDA. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in NAC's core business that may not otherwise be apparent when relying solely on IFRS measures. These measures are used to bridge differences between external reporting under IFRS and external reporting that is customary in the retail industry, and therefore should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with IFRS. Management uses non-IFRS measures in order to facilitate operating and financial performance comparisons from period to period, and believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. A description of these measures and their limitations are discussed under the heading "Non-IFRS Financial Measures", along with a reconciliation to the nearest IFRS financial measure.

This MD&A, as well as, financial statements and other information, including news releases and other disclosure items of the Company are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's profile. The board of directors of the Company approved the contents of this MD&A on January 29, 2020.

Cautionary Note Regarding Forward-Looking Statements

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

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

Overview of Business and Strategy

Overview of the Company

The Company was incorporated under the *Business Corporations Act* (Alberta) as Brassneck Capital Corp. ("**Brassneck**") on June 15, 2015 and its common shares began trading on the TSX Venture Exchange ("**TSXV**") on March 15, 2016. The head office of the Company is located at Suite 200, 56 Aberfoyle Crescent, Toronto, Ontario M8X 2W4. Prior to August 30, 2017, the Company was a Capital Pool Company as defined in the TSXV Policy 2.4. Effective August 30, 2017, Brassneck completed its "Qualifying Transaction" with National Access Cannabis Corp. (pre-Qualifying Transaction, referred to herein as "**Old NAC**"). The Qualifying Transaction was a reverse takeover of Brassneck by Old NAC. Following completion of the Qualifying Transaction, control of the Company, as resulting issuer, passed to the former securityholders of Old NAC, and the Company (formerly Brassneck) ceased to be a Capital Pool Company. Effective August 30, 2017, Brassneck changed its name to "National Access Cannabis Corp." On September 8, 2017, the common shares of the Company (the "**Common Shares**"), as the resulting issuer, resumed trading on the TSXV under the new trading symbol "NAC". Effective May 17, 2018, the Company's trading symbol on the TSXV changed from "NAC" to "META".

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

Description of Business

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*, S.C. 2018, c. 16 (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.

The Company does not hold a licence that was issued pursuant to the now repealed *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230 to the Controlled Drugs and Substances Act (S.C. 1996, c.

19) ("**ACMPR**") that was continued under the *Cannabis Regulations*, SOR/2018-144 (the "**Cannabis Regulations**") of the Cannabis Act, nor does it hold, or have any intention of becoming a holder of, a cultivation licence, a processing licence or a medical sales licence, or any combination thereof, issued pursuant to the Cannabis Regulations (together with those holders of licences continued under the Cannabis Regulations from the ACMPR, hereinafter referred to as "**Federal Licence Holders**" and each a "**Federal Licence Holder**"). In the event the Company becomes a Federal Licence Holder, conflicts of interest may arise between the Company's current medical clinic business and its future Federal Licence Holder business. In the context of vertically-integrated companies in the cannabis sector where there may be material relationships or transactions that involve conflicts of interest, whether actual or perceived, the Company will disclose any commissions, incentives, or other fees earned by the Company, its clinics, physicians, or other consultants. The Company will also disclose risks associated with conflicts of interest, including, but not limited to situations where the Company, its clinics, physicians, or other consultants are paid a commission or education grant from a Federal Licence Holder or dispensary that is related to the Company.

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

Retail Cannabis Stores

NAC plans to continue pursuing adult-use retail licenses in provinces that allow for private retailers. The Company is currently operating and constructing additional retail locations to sell and distribute cannabis and cannabis related products under its recreational retail cannabis brands META and NewLeaf in select provinces. The Company expects its network of recreational cannabis stores to initially grow across the Western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba, and expanding to include Ontario once licensing opens up to more private retailers.

The Company will continue to explore acquisition and partnership opportunities that enhance its brand and profitability and aims to expand the number of cannabis retail locations it operates. The Company's expansion plans are subject to additional financing, appropriate lease arrangements for each potential cannabis retail location and required approvals from the applicable regulatory authorities in each of the Provinces in which the Company plans to open cannabis retail locations. The Company does not currently have sufficient cash resources to fund the capital expenditure buildout costs and start-up inventory costs for all planned expansion retail locations, so in order to meet its expansion plans, additional financing will be required. As well, certain regulatory authorities in the Provinces in which the Company plans to open cannabis retail locations have limited the number of retail cannabis licenses available for issuance which may prohibit the Company from achieving its expansion goals. If the Company is not able to obtain adequate financing, enter into appropriate lease arrangements or obtain applicable regulatory approvals to meet its expansion goals, it will scale back its expansion plans accordingly. There can be no assurance that additional debt or equity financing will be available to meet the Company's requirements or, if available, on favorable terms, and there can be no assurance that the Company will be able to enter into appropriate lease arrangements or receive the applicable regulatory approvals to meet its expansion goals at this time. For more information about such risks, see "*Known Trends, Risks or Demands*" below, as well as, those factors disclosed in the Company's publicly filed documents.

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

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
British Columbia	Retail sale of adult use cannabis in the Province of British Columbia is regulated by the *Cannabis Control and Licensing Act* and the *Cannabis Distribution Act.* The *Cannabis Licensing Regulation* of the *Cannabis Control and Licensing Act* regulates licensing of adult use cannabis storefronts. The Liquor and Cannabis Regulation Branch ("**LCRB**") issues retail licenses both to private and public licensees. Federal licensees may sell cannabis products to the LCRB. The LCRB may sell cannabis products to licensees. The LCRB operates the sole regulated online source of cannabis in British Columbia. The *Cannabis Licensing Regulation* limits the total number of licenses per retailer to eight. The *Cannabis Control and Licensing Act* limits relationships between federal producers and licensed retailers.	The Company has applied for seven retail cannabis licenses and intends to apply for a total of eight retail cannabis licenses.	Municipal government recommendation to the LCRB. Retail cannabis licence from the LCRB.
Alberta	Retail sale of adult use cannabis in the Province of Alberta is regulated by the *Gaming, Liquor and Cannabis Act* and the *Gaming, Liquor and Cannabis Regulation*. Alberta Gaming, Liquor and Cannabis ("**AGLC**") issues retail licenses to private entities. Cannabis suppliers may sell cannabis products to the AGLC. The AGLC may sell cannabis products to a holder of a cannabis license. The AGLC operates the sole regulated online source of cannabis in Alberta. The *Gaming, Liquor and Cannabis Regulation* limits any one person or group of persons (groups as characterized by the AGLC), to a 15% market share in the Province of Alberta. As at September 16, 2019, the AGLC issued 283 cannabis retail	At January 29, 2020 the Company has received AGLC approval for 25 retail cannabis store licenses, of which 23 stores are open and operating as at the date of this MD&A. All of the Company's stores operate under the NewLeaf brand. The Company has 7 applications with the AGLC for which it is awaiting approval.	Municipal development permit. Municipal business licence. AGLC retail cannabis licence.

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	store licenses, and has capped, until December 31, 2020, the number of licenses for one person or group of persons at 42. The *Gaming, Liquor and Cannabis Act*, the *Gaming, Liquor and Cannabis Regulation* and the AGLC Cannabis Retail Store Handbook each limit relationships between cannabis suppliers and a holder of a cannabis license.		
Saskatchewan	Retail sale of adult use cannabis in the Province of Saskatchewan is regulated by *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations*. A lottery process was applied to select 51 entities to apply for retail cannabis permits. The Saskatchewan Liquor and Gaming Authority ("**SLGA**") issues permits to private entities for operating retail cannabis stores and selling cannabis online, for supplying cannabis (which also requires a processing licence under the Cannabis Regulations) and for commercial distribution of cannabis. Supply permitees may sell cannabis products directly to retail permitees or distribution permitees.	The Company currently operates one retail cannabis location in Moose Jaw, Saskatchewan.	Municipal business license. SLGA retail cannabis permit.
Manitoba	Retail sale of adult use cannabis in the Province of Manitoba is regulated by *The Liquor, Gaming and Cannabis Control Act* and the *Cannabis Regulation*. The *Cannabis Regulation* regulates licensing of adult use cannabis storefronts. The Liquor, Gaming and Cannabis Authority of Manitoba (the "**MLGA**") regulates, licenses, inspects and audits Manitoba's privately-held adult use cannabis storefronts and online sales platforms. The Manitoba Liquor and Lotteries Corporation ("**MBLL**") administers central order processing and manages distribution to licensed private sector retailers.	The Company is currently operating five licensed retail cannabis stores and an additional four licensed retail cannabis stores through partnerships with Manitoba First Nations. The Company has the ability to open and operate an additional five retail cannabis stores.	Retailer Agreement required per location signed between Proponent and Manitoba Growth, Enterprise and Trade. Occupancy permit required.

Province	Regulatory Framework	NAC's Retail Activities	Required Authorizations
	The province limits any one individual licensee to a maximum of 10 retail cannabis locations. Additional retail cannabis locations may be operated through partnerships with Manitoba First Nations groups.		
Ontario	Retail sale of adult use cannabis in the Province of Ontario is regulated by the *Cannabis Licence Act, 2018* and the *General Regulation*. Alcohol and Gaming Commission of Ontario ("**AGCO**") issues retail operator licenses. Federal Licence Holders may sell cannabis products to the AGCO. The AGCO may sell cannabis products to a holder of a retail operator license. The AGCO issues retail licenses to private licensees. The AGCO operates the sole regulated online source of cannabis in Ontario - Ontario Cannabis Store (the "**OCS**"). The OCS will also be the exclusive wholesaler of cannabis to holders of retail operator licenses. In view of the cannabis shortage, the AGCO initially restricted licensing by way of a lottery process where approximately 75 applicants were selected. On December 12, 2019, the Government of Ontario issued a press release announcing steps to move to an open market for retail cannabis stores, where retail operators may own a maximum of 10 cannabis stores until August 31, 2020, a maximum of 30 cannabis stores until August 31, 2021, and a maximum of 75 stores thereafter.	The Company entered into agreements with two independent Ontario retailers pursuant to which the Company will act as a consulting partner and service provider to support the stores' operations. The Company plans to open and operate as many stores as the AGCO will permit the Company to operate once licensing for new retailers commences.	AGCO retail operator license. Municipal approvals and permits. All municipalities within the province will be provided with a one-time option to opt out to restrict licensing to retail stores in their municipality. The opt-out date was January 22, 2019.

Given the early stage of the Canadian recreational cannabis industry, the Company expects regulations to evolve over the short term as regulators better understand the dynamics of the industry. However, NAC expects the cannabis retail market to be extremely competitive, forcing retail operators to compete on pricing, branding and innovative concepts to attract consumers.

Medical Clinics

NAC operates two clinics in Ontario and one clinic in each of the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba, for a total of six clinics.

The Company facilitates the appropriate use of medical cannabis by connecting patients with knowledgeable healthcare practitioners, coordinating clinic visits, managing medical cannabis education, providing assistance with product selection, coordinating patient registration with Health Canada approved Federal Licence Holders and continued follow-up. The Company's clinics act as a referral hub for healthcare providers that wish to refer patients that may benefit from medical cannabis. Patients are then screened further for eligibility.

Across its six clinics, the Company employs a total of 30 cannabis care professionals, including: nine Cannabinoid Therapy Educators, six clinic assistants, six clinic managers, three support staff, and six nurse practitioners. In addition, to support its six medical clinics, the Company maintains affiliate relationships with nine physicians.

The clinic staff provide patients with an in-depth education session and provide a liaison service with Federal Licence Holders that assists patients in selecting appropriate chemotypes/strains of medical cannabis based on the patient's condition and medical needs. Each clinic is typically staffed with one to three Cannabinoid Therapy Educators or clinic assistants. Qualifications for Cannabinoid Therapy Educators include nursing designations or other formal healthcare professional training (eg. RPNs, LPNs, RNs, or IMGs). Additional medical cannabis specific training is received from medical staff, Federal Licence Holders and internal educational resources. NAC's clinic staff are trained and knowledgeable on the different types of medical cannabis products available from Federal Licence Holders, in order to help the patient make the most appropriate decision when selecting a Federal Licence Holder. Clinic staff prepare the patient's medical file and an affiliated physician or nurse practitioner reviews the file with clinic staff before the patient's consultation. If the consultation with the affiliated physician results in a prescription for medical cannabis, clinic staff work with the patient to help register that patient with a Federal Licence Holder and to transmit the patient's order. Clinic staff educate the patient on the Federal Licence Holder's product-indications, side-effects, cost, dosage forms and administration methods. The decision as to which Federal Licence Holder to select, ultimately rests with the patient.

NAC has made the strategic decision to focus its resources on the growth of its retail recreational cannabis business unit. As such, the Company is seeking to divest of its medical clinics.

Potential Conflicts of Interest

The Company has 14 contracts ("**Licence Holder Contracts**") with Federal Licence Holders, including Aphria Inc., CannTrust Inc. and VIVO Cannabis Inc., who have either directly or indirectly invested in the Company. The Licence Holder Contracts govern the business relationship between the Company and the Federal Licence Holder. Pursuant to the Licence Holder Contracts, the Company is paid a commission which is paid by either cash, cheque, or electronic funds transfer. Each of the Federal Licence Holders provide medical cannabis educational materials to the Company's clinics and clinic staff provides these educational materials to their patients if appropriate, in addition to supplemental education. The educational information specific to an individual Federal Licence Holder has the Federal Licence Holder's logo and contact information on it, and may discuss the features of that Federal Licence Holder's specific cannabis strains. The Company also uses several forms of supplemental education material, some of which is proprietary content created and branded by the Company.

If appropriate, the Company provides assistance with coordinating patient registration with Federal Licence Holders. Once registered, patients place orders for a cannabis product directly with the Federal Licence Holders. The Company receives a commission from each Federal Licence Holder equal to 15%-20% of the retail price paid by the patient for such cannabis product. The commission is paid by the Federal Licence Holders directly to the Company after each patient has placed an order with the respective Federal Licence Holder, which is based on the patient registration that the Company previously provided assistance with coordinating. The commissions received by the Company were a primary source of revenue for the Company for the financial year ended August 31, 2018. However, these commissions were not a significant source of revenue for the Company for the financial year ended August 31, 2019 and three month period ended November 30, 2019 as revenue from the Company's retail operations became the primary source of revenue for the Company. The Company has no relationships with any dispensaries or other cannabis distributors and no physician, caregiver or employee of the Company receives any commissions, incentives, or other fees from Federal Licence Holders.

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

As of the date hereof, there is no equity ownership, cross directorship or other relationship which gives rise to conflict of interest issues or related party issues between the Company's clinics and any Federal Licence Holder, distributor, or dispensary, however, the Company continues to explore new business opportunities.

Pharmacy Medical Cannabis Management System

In 2018, NAC undertook a strategic shift to close certain of its brick and mortar clinics and transition to a virtual platform while concurrently pivoting operations into partnerships with existing pharmacies with the anticipation of pharmacies receiving a licence to dispense cannabis medicines. To further enhance this strategic shift, NAC acquired 51% of National Access Cannabis Medical Inc. ("**NACM**") in April 2018. At the time of the acquisition, NACM had 40 pharmacies under contract with a strategy to expand further. As of the date hereof, NACM has entered into service agreements with 146 pharmacies. 128 of NACM's contracted pharmacies are located in Ontario, 16 are located in British Columbia and one each in Alberta and Saskatchewan. The Company does not directly employ or contract with any caregivers at its partner pharmacies.

While NAC has increased the number of pharmacies under contract from the April 2018 acquisition date, given the subsequent legalization of recreational cannabis in October 2018, and given pharmacies have still not been granted a license to dispense cannabis medicines, NAC has decided to focus the majority of its attention and resources on the recreational cannabis business. As such, the growth in the pharmacy network is much lower than originally anticipated, resulting in the Company taking an impairment in this business unit for the year ended August 31, 2019.

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

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

Future telemedicine or in person appointments and counselling sessions are anticipated to take place in pharmacies and associated medical clinics in addition to NACM clinics. NACM will utilize a call-center and advanced EMR system to help co-ordinate care.

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

NAC Bio

NAC Bio is a majority controlled subsidiary of NAC that was founded by NAC and Dr. Tyler Wish for the purpose of providing NAC with a special purpose entity to develop innovative and data driven solutions to industry cannabis challenges.

NAC Bio has developed the KLOO Data Intelligence Platform, an integrated research and intelligence platform specifically designed to collate cannabis industry research and data and to empower the future digital research, innovation and commercialization opportunities within the global cannabis sector.

NAC Bio is led by Dr. Tyler Wish, a trained epidemiologist who holds a PhD (medicine) from Memorial University and a BSc (Chemistry) from the University of Victoria. Prior to NAC Bio, Dr. Wish was the cofounder and chief executive officer of Sequence Bio Inc., a privately-held, venture-backed biotechnology company utilizing the unique population genetics of Newfoundland & Labrador in conjunction with machine learning technologies for drug discovery. Dr. Wish was selected as one of ten Canadian Innovation Leaders by the Honourable Minister Navdeep Bains and is currently on the Board of ACTUA Canada, Canada’s leading youth STEM outreach organization. Subsequent to the Company’s 2019 fiscal year ended August 31, 2019, NAC Bio’s operations were rationalized while it completes its next fundraising stage.

Analysis of the Company’s Financial Performance and Condition

Selected Quarterly Financial Information

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

	Quarter Ended							
	Feb 28, 2018	May 31, 2018	Aug 31, 2018	Nov 30, 2018	Feb 28, 2019	May 31, 2019	August 31, 2019	November 30, 2019
Revenue	475,412	529,274	514,476	3,787,228	16,202,100	17,045,769	17,066,563	15,796,588
Net Loss	(1,313,110)	(2,324,505)	(4,236,837)	(7,876,151)	(5,643,661)	(4,780,149)	(13,776,642)	(5,690,109)
Net Loss Per Share - Basic	(0.01)	(0.02)	(0.03)	(0.05)	(0.03)	(0.02)	(0.05)	(0.03)

Net Loss Per Share - Diluted	(0.01)	(0.02)	(0.03)	(0.05)	(0.03)	(0.02)	(0.05)	(0.03)

The Company has incurred losses over the last eight quarters as it implements initiatives to continue growing its business within the retail and medical cannabis industry in Canada. Significant start-up costs have been incurred to build the infrastructure to open a total of 33 retail locations as at November 30, 2019. Revenue has increased significantly over the last eight quarters due to the opening of cannabis retail locations in Manitoba, Alberta and Saskatchewan.

Results of Operations

$	**Three months ended**	
	30-Nov-19	**30-Nov-18**
Total revenue	15,796,588	3,787,228
Cost of goods sold	(10,784,525)	(2,339,307)
Gross profit	5,012,063	1,447,921
Gross profit margin	32%	38%
General and administrative expenses	(6,581,156)	(5,964,610)
Advertising and marketing	(187,859)	(258,490)
Amortization	(1,579,062)	(542,984)
Share based compensation	(220,530)	(297,707)
Finance and other costs	(2,035,849)	(2,260,281)
Loss from operations	(5,592,393)	(7,876,151)
Adjusted EBITDA (1)	(1,538,951)	(2,116,373)
Deferred tax expense	(97,716)	-
Net loss for the period	(5,690,109)	(7,876,151)
Loss per share - basic and diluted	(0.03)	(0.05)
Deficit, at end of period	(52,319,817)	(27,683,843)

Notes:

(1) *Adjusted EBITDA is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. For more information and a reconciliation of non-IFRS measures to the closest IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.*

The net loss for the three months ended November 30, 2019 was $5,690,109 or $0.03 per share versus a net loss of $7,876,151 or $0.05 per share for the three months ended November 30, 2018. The net loss is decreasing as the Company opens additional retail stores. The Company is operating in an early stage, high growth industry, and has created a corporate overhead structure to support growth. It is expected that the Company will reach profitability if retail store expansion plans are achieved.

Some of the significant changes are as follows:

- Salaries and benefits during the three months ended November 30, 2019 were $3,995,643 compared to the three months ended November 30, 2018 of $1,965,989. Staffing has increased significantly due to the opening of 33 retail locations as of November 30, 2019 along with the plan to continuously build and operate additional retail locations across Canada. The Company has also increased Corporate staffing to build the required infrastructure, processes and systems to support Corporate expansion plans.

- Professional fees and consulting fees during the three months ended November 30, 2019 were $1,246,038 compared to the three months ended November 30, 2018 of $2,078,155. As a result of acquisition and expansion initiatives and developing new business opportunities and partnerships, the Company incurred significant legal and consultant fees during this period.

- Rental and utilities during the three month period ended November 30, 2019 were $498,413 compared to the three months ended November 30, 2018 of $1,109,219. On September 1, 2019, the Company adopted IFRS 16 – Leases which resulted in significant changes to the lessee accounting that 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. Total rent during the three months ended November 30, 2019 represents rent payments excluded under IFRS16.

  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. Depreciation of right of use assets amounted to $785,467 and Accretion expense on lease liabilities amounted to $448,645 during the three month period ended November 30, 2019. The significant increase from the previous year has been due to the operation of 33 retail locations in Alberta, Manitoba and Saskatchewan as at November 30, 2019 along with rental expenses for leases entered into for additional retail locations to support further expansion throughout Canada.

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

The Company remains focused on maintaining its leadership position in the recreational retail cannabis industry in Canada and will continue with aggressive expansion efforts in pursuit of this goal. The Company plans to expand its operations to all economically viable locations in Canada. Planned expansion strategies include; developing additional corporate locations, seeking acquisition opportunities and providing additional services and activities surrounding the cannabis industry within Canada.

Revenue

Revenue for the three months ended November 30, 2019 was $15,796,588 versus $3,787,228 in the same period in the prior year, representing a 317% increase from the prior year.

Revenue growth is attributable to newly opened retail locations in Alberta, Manitoba and Saskatchewan during the period. The Company had 33 retail locations in operation as of November 30, 2019 resulting in total revenue of $15,578,292 from retail operations for the three months ended November 30, 2019 versus $3,292,347 in the same period in the prior year.

Medical education revenue for the three months ended November 30, 2019 was $218,296 compared to the three months ended November 30, 2018 of $494,881.

Gross Profit

Gross Profit for the three months ended November 30, 2019 was $5,012,063 compared to the three months ended November 30, 2018 of $1,447,921. The increase is attributed to the expansion into the retail cannabis industry. The Company has earned a 31% gross margin on retail operations for the three months ended November 30, 2019.

Expenses

General and Administrative Expenses

	Three months ended			
$	**30-Nov-19**	**%**	**30-Nov-18**	**%**
Professional fees	1,047,174	16%	1,404,702	24%
Consulting fees	198,864	3%	673,453	11%
Salaries & benefits	3,995,643	61%	1,965,989	33%
Travel and Entertainment	100,230	2%	169,304	3%
Rent & utilities	498,413	8%	1,109,219	19%
Office and store expenses	147,945	2%	262,436	4%
Computer and technology	229,806	3%	175,132	3%
Interest & service charges	184,410	3%	41,728	1%
Other	178,671	3%	162,647	3%
Total	6,581,156	100%	5,964,610	100%

General and Administrative Expenses for the three months ended November 30, 2019 were $6,581,156 compared to the three months ended November 30, 2018 of $5,964,610.

The increase from the comparable period is due to the continued growth and expansion into the retail cannabis industry, hiring of additional managerial and administrative staff, and the development of stated business objectives.

Professional fees during the three months ended November 30, 2019 were $1,047,174 compared to the three months ended November 30, 2018 of $1,404,702. The fees incurred were primarily attributed to legal and audit work required for general corporate matters, corporate development, government, and investor relations activities during the period due to Company expansion.

Salaries and benefits during the three months ended November 30, 2019 were $3,995,643 compared to the three months ended November 30, 2018 of $1,965,989. Staffing has increased significantly due to the opening of 33 retail locations as of November 30, 2019 along with the plan to continuously build and operate additional retail locations across Canada. The Company has also increased corporate staffing to build the required infrastructure, processes and systems to support corporate expansion plans.

Share-Based Compensation Expenses

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 was 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.

Operating Segments

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

1. 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.

2. Research – NAC Bio 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.

3. 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.

Corporate is not an operating segment and contains the Company's corporate, strategic, and administrative activities. All the Company's revenue earned and assets are located in Canada.

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	- n/a	-	5,012,063

Three months ended November 30, 2019	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Gross profit margin (%)	84%	31%		n/a	32%
Operating expenses	(532,083)	(5,022,748)	(21,279)	(5,028,346)	(10,604,456)
Income / (Loss) from operations	(348,134)	(194,634)	(21,279)	(5,028,346)	(5,592,393)
Adjusted EBITDA Adjusted EBITDA %	(302,291) n/a	1,392,485 9%	(20,132) n/a	(2,609,013) n/a	(1,538,951) n/a
Deferred tax expense	-	(97,716)	-	-	(97,716)
Net Income / (loss)	(348,134)	(292,350)	(21,279)	(5,028,346)	(5,690,109)

Three months ended November 31, 2018	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Revenue	494,881	3,292,347	-	-	3,787,228
Cost of goods sold	(91,322)	(2,247,985)	-	-	(2,339,307)
Gross profit Gross profit margin (%)	403,559 82%	1,044,362 32%	- n/a	- n/a	1,447,921 38%
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)
Adjusted EBITDA Adjusted EBITDA %	(127,055) n/a	593,273 18%	(136,158) n/a	(2,446,433) n/a	(2,116,373) n/a
Net loss	(194,766)	(1,315,185)	(136,158)	(6,230,042)	(7,876,151)

Retail Cannabis Stores

As at November 30, 2019, the Company had 33 retail locations in operation, with 9 operating in Manitoba, 23 operating in Alberta, and 1 operating in Saskatchewan.

As legalization occurred on October 17, 2018, fiscal year 2019 was the first fiscal year in which the Company operated retail cannabis stores. The stores opened throughout the year ended August 31, 2019 were as follows: October – 4 locations; November – 13 locations; December – 3 locations; January – 3 locations; April – 1 location; June – 1 location; July – 3 locations; and August 2 - locations. The Company opened three additional stores during the period ended November 30, 2019.

Significant start-up costs have been incurred throughout this period to build the infrastructure to open these stores, and the Company has incurred additional carrying costs throughout Manitoba, Alberta, Saskatchewan, British Columbia, and Ontario for planned store openings which have not yet occurred due to external licensing factors out of the Company's control.

Balance Sheet

$	**As at**		
	30-Nov-19	**31-Aug-19**	**30-Nov-18**
Total assets	69,771,323	61,508,452	86,514,731
Total liabilities	46,751,634	33,842,706	31,334,286
Share capital	67,840,360	67,016,838	70,508,593
Warrants	3,066,865	3,066,865	2,952,235
Contributed surplus	5,062,214	4,841,684	4,778,807
Accumulated other comprehensive loss	(428,571)	(428,571)	(428,571)
Non-controlling interest	(201,362)	(95,178)	5,053,225
Deficit, at end of period	(52,319,817)	(46,735,892)	(27,683,843)

Total Assets

Total assets of the Company were $69,771,323 on November 30, 2019 versus $61,508,452 on August 31, 2019. The increase in total assets is primarily due to the recognition of right of use assets amounting to $12,681,173 as a result of the transition to IFRS 16 – Leases on September 1, 2019.

This was offset by a reduction in cash due to the continued expansion of the Company's operations over the three months ended November 30, 2019.

Total Liabilities

Total liabilities increased to $46,751,634 at November 30, 2019 versus $33,842,706 on August 31, 2019 primarily due to the recognition of lease obligations amounting to $12,561,680 as a result of the transition to IFRS 16 – Leases on September 1, 2019.

Total Share Capital

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

	As at			
	29-Jan-20	**30-Nov-19**	**31-Aug-19**	**30-Nov-18**
Common Shares	191,225,186	191,225,186	189,093,041	183,560,966

Warrants	11,520,475	11,520,475	11,520,475	10,754,162
Options	5,536,892	5,536,892	5,611,892	8,101,892

Liquidity and Capital Resources

The unaudited condensed interim consolidated financial statements for the three months ended November 30, 2019 are prepared by management in accordance with IFRS on a going concern basis, which assumes that the Company will be able to continue to operate for the foreseeable future. However, the Company is exposed in varying degrees to a variety of financial risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. For further discussion of risks related to the Company's business, including financial risks, please see "*Known Trends, Risks or Demands*" below, as well as those factors disclosed in the Company's publicly filed documents.

The Company has incurred losses since incorporation and as of November 30, 2019 had an accumulated deficit of $52,319,817 (August 31, 2019: $46,735,892). The Company is in the development stage of expanding by opening and acquiring locations throughout Canada while continuing to explore other business opportunities within the cannabis industry. The Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects.

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

Financing Activities

For the three months ended November 30, 2019, the Company allocated $959,563 in cash from financing activities versus generating $14,876,428 for the three months ended November 30, 2018.

Included in financing activities for the three month period ended November 30, 2019 is the amount of cash paid for all leases, including both the principal and interest amount of $937,085 in accordance with IFRS 16.

Investing Activities

For the three months ended November 30, 2019, the Company generated $73,027 in cash to investing activities versus allocating $10,985,644 for the three months ended November 30, 2018.

Capital additions for the three months ended November 30, 2019 amounted to $205,457. These costs were incurred to build out retail locations.

As at August 31, 2019, the Company released all obligated common shares and cash from escrow relating to the acquisition of The Green Company Ltd. Pursuant to the terms of the Purchase Agreement, a final reconciliation was performed and it was agreed upon by both parties that 2,007,860 common shares and $501,965 in cash were to be returned to the Company. Both the common shares and cash were received during the three months ended November 30, 2019.

Working Capital

The Company had a working capital surplus of $9,136,153 on November 30, 2019 versus a surplus of $5,200,661 as at August 31, 2019.

Current assets decreased to $15,200,971 at November 30, 2019 from $18,343,407 at August 31, 2019 primarily as a result of a decrease in cash, inventory and prepaid expenses primarily attributable to working capital for retail operations.

Current liabilities decreased to $6,064,818 at November 30, 2019 from $13,142,746 at August 31, 2019. The decrease in current liabilities is primarily due to the extension of the OCN loan. 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.

Cash Used in Operations

$	30-Nov-19	30-Nov-18
Net loss for period	(5,690,109)	(7,876,151)
Add charges to operations not requiring current cash payment	4,130,836	1,014,784
Changes in non-cash working capital balances related to operations	1,764,808	(6,105,287)
Cash used in operating activities	205,535	(12,966,654)

Cash generated in operating activities amounted to $205,535 for the three months ended November 30, 2019 compared to cash used in operating activities amounting to $12,966,654 for the same period in 2018.

Changes in non-cash working capital balances related to operations were $1,764,808 for the three months ended November 30, 2019, compared to $6,105,287 for the three months ended November 30, 2018, primarily due to an increase in working capital required for the expansion into the recreational retail market in Canada.

Off Balance Sheet Arrangements

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

Transactions between Related Parties

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.

Financial Instruments

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

Changes in Accounting Policies and Critical Accounting Estimates

The significant accounting policies applied in preparation of the unaudited condensed interim consolidated financial statements for the three months ended November 30, 2019 are consistent with those applied and disclosed in Note 2 of the Company's 2019 audited consolidated financial statements. 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 impact of the adoption of IFRS 16 is disclosed in Note 3 and Note 10 of the condensed interim consolidated financial statements for the three months ended November 30, 2019. Critical accounting estimates remain the same as disclosed in the audited consolidated financial statements for the year ended August 31, 2019.

Non-IFRS Financial Measures

Adjusted EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that this measure should not replace Income or Loss from Operations (as determined in accordance with IFRS) as an indicator of the Company's performance. The Company's method of calculating the aforementioned non-IFRS measure may differ from the methods used by other issuers. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA has been derived by adding Amortization; Finance and other costs; Professional Fees associated with fundraising and acquisition activities; Integration and Restructuring costs; Pre-operating retail expenses; and Share Based compensation to Loss from Operations. Lease liability payments have been adjusted to derive at the actual rent expense incurred for the Company's lease obligations. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash and non-recurring items, allowing for increased transparency and predictive value of the Company's recurring financial results. Management uses Adjusted EBITDA to set targets and assess performance of the Company.

Refer to the tables below for a reconciliation of Loss from Operations to Adjusted EBITDA.

The economic substance of these exclusions and management's rationale for excluding them from non-IFRS financial measures is:

Share Based Compensation - Employee stock-based compensation expense, which represents the estimated fair value of stock options granted, is excluded because grant activities vary significantly from quarter-to-quarter in both quantity and fair value. In addition, excluding this expense allows the Company to better compare core operating results with those of its competitors who may have different granting patterns and types of equity awards, and who may use different valuation assumptions than NAC.

Amortization - consists of non-cash charges against tangible and intangible assets that are impacted by the timing and magnitude of acquired assets and businesses. Amortization varies among competitors, and NAC believes that excluding these costs permits a better comparison of core operating results.

Finance and other costs – includes accretion expense and interest on convertible debenture and debt. These costs are excluded because management believes that they are not directly related to ongoing operating results.

Integration and Restructuring - includes costs relating to employee severance and other costs directly attributable to integration and restructuring. These costs are excluded because management believes that they are not directly related to ongoing operating results and do not reflect expected future operating expenses after completion of these activities.

Lease obligations - The Company transitioned to IFRS 16 effective September 1, 2019. In accordance with IFRS 16, amortization is recorded on right of use asset and accretion expense is recognized using the effective interest method on the lease obligations. These amounts have been adjusted to calculate the actual rent expense that is paid for the Company's lease obligations for the three month period ended November 30, 2019.

Pre-operating retail expenses – includes costs relating to securing leases on retail space, store lease and utility costs prior to the store being operational, lease terminations, and employee training prior to store opening. These costs are excluded because management believes that they are not directly related to ongoing operating results and do not reflect expected future operating expenses after completion of these activities.

Professional Fees associated with fundraising and acquisition activities – includes fees paid to law firms, tax advisors, and investment banks for services provided to raise capital and evaluate and close business acquisitions. While such services are expected for a company operating in an early stage and high growth industry such as cannabis, management has excluded these costs in order to better compare against competitors who may have a different philosophy and frequency of such activities.

Reconciling to Adjusted EBITDA

$	Three Months Ended	
	30-Nov-19	30-Nov-18
Loss from operations	(5,592,393)	(7,876,151)
Depreciation of property and equipment	793,595	123,851
Amortization of intangible assets	-	419,133
Depreciation of right of use asset	785,467	-
Accretion expense on lease liabilities	448,645	-
Lease liability payments	(937,085)	-
Accretion expense on convertible debenture	389,530	48,931
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
Professional fees – fundraising and acquisition	352,877	639,480
Integration and restructuring costs	153,997	167,008
Pre-operating retail expenses	648,212	1,852,318
Share based compensation	220,530	297,707
Adjusted EBITDA	(1,538,951)	(2,116,373)

Three months ended November 30, 2019	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Loss from operations	(348,134)	(194,634)	(21,279)	(5,028,346)	(5,592,393)
Depreciation of property and equipment	40,233	682,352	1,147	69,863	793,595
Depreciation of right of use asset	44,083	691,513	-	49,871	785,467
Accretion expense on lease liabilities	3,145	434,959	-	10,541	448,645
Lease liability payments	(41,618)	(869,917)	-	(25,550)	(937,085)
Accretion expense on convertible debenture	-	-	-	389,530	389,530
Interest on convertible debenture	-	-	-	423,000	423,000
Interest on debt	-	-	-	227,121	227,121
Loss on restructuring of term loan	-	-	-	547,553	547,553
Professional fees – fundraising and acquisition	-	-	-	352,877	352,877
Integration and restructuring costs	-	-	-	153,997	153,997
Pre-operating retail expenses	-	648,212	-	-	648,212
Share based compensation	-	-	-	220,530	220,530
Adjusted EBITDA	(302,291)	1,392,485	(20,132)	(2,609,013)	(1,538,951)
Adjusted EBITDA %	n/a	9%	n/a	n/a	n/a

Three months ended November 30, 2018	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Loss from operations	(194,766)	(1,315,185)	(136,158)	(6,230,042)	(7,876,151)
Depreciation of property and equipment	67,711	56,140	-	-	123,851
Amortization of intangible assets	-	-	-	419,133	419,133
Accretion expense on convertible debenture	-	-	-	48,931	48,931
Interest on debt	-	-	-	568,493	568,493

Three months ended November 30, 2018	Medical Cannabis Education	Retail Cannabis Stores	Research	Corporate	Total
Commitment fee	-	-	-	1,642,857	1,642,857
Professional fees – fundraising and acquisition	-	-	-	639,480	639,480
Integration and restructuring costs	-	-	-	167,008	167,008
Pre-operating retail expenses	-	1,852,318	-	-	1,852,318
Share based compensation	-	-	-	297,707	297,707
Adjusted EBITDA	(127,055)	593,273	(136,158)	(2,446,433)	(2,116,373)
Adjusted EBITDA %	n/a	18%	n/a	n/a	n/a

Major Operating Milestones

On October 24, 2019, 2,007,860 surplus common shares held in escrow were cancelled and returned to treasury and $501,965 in cash held in escrow was also returned to the Company, in accordance with the Escrow Agreement relating to the acquisition of The Green Company.

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 were 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.

On November 18, 2019, the Company entered into an Amended Loan Agreement with OCN. The original loan was set to mature on December 14, 2019. The Amended Loan Agreement extends 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.

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.

Known Trends, Risks or Demands

The Company is exposed to numerous risks and uncertainties. The risks and uncertainties described below are not the only risks the Company could face, but could materially and adversely affect business, financial condition, results of operations and future prospects of the Company. Additional risks and uncertainties that the Company's management is unaware of, or that management currently view as not material, may also become important factors that could adversely affect the Company's business.

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

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

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

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

Regulatory Risks

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

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

Government Regulations, Permits and Licences

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

Legislative or Regulatory Reform and Compliance

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

Regulatory or Agency Proceedings, Investigations, and Audits

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

Provincial Legislation for Licencing and Retailing of Cannabis Varies

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities, and obtaining all regulatory approvals, where necessary, for the sale of cannabis products expected to be distributed by the Company.

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

Political and Regulatory Instability

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

Plans for Growth

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

Securing Adequate Financing to Fund Operations and Meet Expected Consumer Demand

There is no guarantee that the Company will be able to achieve its business objectives. Depending on its ability to achieve its goals, the Company may need to raise further equity and/or debt financing to fund the completion of its expansion plans, including the build-out of new recreational cannabis stores, and the expansion of its client base. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Company. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

If the Company requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

Liquidity Risk and Negative Cash Flow

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company reported negative cash flow from operating activities for the financial year ended August 31, 2019 and the Company has historically reported negative cash flow from operating activities for prior fiscal years. As a result of its negative cash flow, the Company continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Company may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Company has negative cash flow from operating activities in future periods, the Company may need to use a portion of proceeds from any offering to fund such negative cash flow.

Risks Related to Dilutions

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

Company's stock option plan, upon the exercise of outstanding warrants and upon the conversion of the Convertible Debentures.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities (including the Common Shares) is also likely to be affected by the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Company's securities include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's securities; and a substantial decline in the price of the Company's securities that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company's securities at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Securities or Industry Research and Reports

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

Risks of Retail Store Operations

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

Cannabis Supply Shortage

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC in Alberta announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licences until further notice. As the reliability of Alberta's cannabis supply began to improve following the implementation of the AGLC's retail cannabis licensing moratorium, the AGLC temporarily lifted the moratorium to issue 10 additional retail licences in January 2019 and an additional 26 retail licences in April 2019. On May 30, 2019, the AGLC lifted the moratorium on accepting new retail cannabis licence applications and issuing new retail cannabis licences.

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

Competition

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

Dependence on Corporate Culture

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

Constraints on Marketing

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

Customer Acquisition and Retention

The Company anticipates continued customer growth at current and future retail cannabis store locations. If securing such customers is not possible, the Company, its business, operating results, and financial condition could be materially and adversely affected.

Development Risks

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

Dependence on Suppliers and Skilled Labour

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

Risks Inherent in the Acquisition of Acquired Companies and Brands

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

Future acquisitions may expose the Company to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; or (e) the expenses of acquisitions.

Integrating Acquired Companies and Brands

The success of the acquisition of acquired companies and brands will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies and brands into the businesses of the Company. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of acquired companies with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the

Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of acquired companies and brands may also impose substantial demands on the Company's management. There is no assurance that these acquisitions will be successfully integrated in a timely manner. The challenges involved in the Company's integration of acquired companies and brands may include, among other things, the following: (a) the necessity of coordinating both geographically disparate and geographically overlapping organizations; (b) retaining key personnel, including addressing the uncertainties of key employees regarding their future; (c) integrating acquired companies into the Company's accounting system and adjusting the Company's internal control environment to cover the operations of such acquired companies; (d) integration of information technology systems and resources; (e) performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the integration of such acquired companies; and (f) unplanned costs required to integrate acquired companies with the Company's existing business.

Brand Risks

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

Management

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

Intellectual Property Risks

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

Reputational Damage to the Company

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

Insurance Coverage

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

Global Economic, Political, and Social Conditions

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

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

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

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

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

Unfavourable Publicity or Consumer Perception

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

Results of Future Research

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

Complications with Research Data

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

Risks Inherent in the Nature of the Health Clinic Industry

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

Uninsured or Uninsurable Risk

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

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

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licenced Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As described above, on October 9, 2018, U.S. Customs and Border Protection released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. The U.S. Customs and Border Protection stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Dividends

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

Litigation

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

Potential Conflicts of Interest

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

The Company has 14 LP Contracts. See "*Summary Description of Business – Description of the Business of the Company – Potential Conflicts of Interest*" in the AIF. Certain of these LP Contracts are with shareholders of the Company, including those listed under "*Principal Shareholders*". The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company, directly or indirectly, for available investment and/or business opportunities. There is no assurance that such persons will act in a manner that is not adverse the Company in such cases.

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

Legal and Accounting Requirements

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

Accounting Policies and Internal Controls

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

Limited Operating History

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

Fraudulent or Illegal Activity by Employees, Contractors, and Consultants

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

Information Technology Systems and Cyber Attacks

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

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

Breaches of Applicable Privacy Laws

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

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

Forecast Uncertainties

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