Notice to Reader

The attached MD&A of Nutritional High International Inc. for the second quarter ended January 31, 2016 is being filed with the applicable securities administrators to reflect the following typographical changes only:

1. ***Financing Developments (continued)***: Typo corrected in paragraph 12

No amendments have otherwise been made to any amount, balance or disclosure in the attached MD&A.

April 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTH PERIODS ENDED JANUARY 31, 2016

March 31, 2016

Management's discussion and analysis (MD&A) is current to March 31, 2016 and is management's assessment of the operations and the financial results together with future prospects of Nutritional High International Inc. ("**Nutritional High**", or the "**Company**"). This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the period ended January 31, 2016, and the Company's audited consolidated financial statements for the period ended July 31, 2015, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All figures are in Canadian dollars unless stated otherwise.

This discussion contains forward-looking statements that are historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Nutritionals' future results as there are inherent difficulties in predicting future results. This MD&A includes, but is not limited to, forward looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

Description of Business

Nutritional High International Inc. ("**Nutritional High**" or the "**Company**"), formerly Sonoma Capital Inc. ("**Sonoma**"), is the parent company of Nutritional High Ltd. ("**NHL**"), Nutritional High (Colorado) Inc. ("**NHCI**"), NHC Edibles LLC ("**NHC**"), NH Medical Dispensaries Inc. ("**NHMDI**"), NH Medicinals (Maryland) Inc. ("**NHMMI**"), Small's Mill Holdings Inc. ("**SMHI**"), Nutritional Traditions Inc. ("**NTI**"), and NH Medicinal (Minnesota) Inc. The Company was incorporated on July 19, 2004. The Company's objective is to take advantage of the changing regulation governing the marijuana industry in the United States and Canada. The Company's business is focused on two main segments: Marijuana-Infused Products Segment and Hemp-Infused Products Segment. In its Marijuana-Infused Products Segment, the Company is focused on developing, acquiring and designing marijuana-infused products and marijuana concentrate products and brands for sale by the Company where it has secured the required licensing, or for use by Licensed Operators entering into royalty or packaging agreements with the Company in jurisdictions where permitted. In its Hemp-Infused Products Segment, the Company is developing brands, trademarks, products and packaging for products infused with hemp extract that have less than 0.3% THC and are not subject to the same regulation as the products in the Company's Marijuana-Infused Products Segment. To date, other than accrued rent and interest, the Company has not yet earned any revenues from its Marijuana-Infused Products Segment. In its Hemp-Infused Products Segment, the Company has launched first three products, which is available for sale, but has not yet earned any revenues. As such, the Company shall be considered to be a development stage entity.

On June 27, 2014, the Company completed the acquisition of NHL (the "**Acquisition**"), whereby it acquired all the issued and outstanding shares and warrants of NHL and changed its name to "Nutritional High International Inc." NHL's incorporation date was April 17, 2014. In connection with the Acquisition, the Company issued an aggregate of 60,400,011 common shares in the capital of the company (the "**Common Shares**") and 13,500,006 Series I Warrants, on a one-for-one basis, in exchange for the NHL securities held by the vendors, which on closing represented 83.99% of the total issued and outstanding shares of the Company. In addition, 150,000 Series II Warrants issued pursuant to the Northumberland Option were exchanged on a one-for-one basis in connection with the Acquisition.

Prior to the completion of the Acquisition, the Company had no active business operations and was seeking business opportunities including assets or businesses with good growth potential to merge with or acquire. After completing the Acquisition, the Company has continued NHL's efforts to develop its business in the marijuana business sector.

On March 13, 2015, the Company completed its initial public offering of units ("**Units**"), which raised gross proceeds of $1,645,000 through its agent Jacob Securities Inc. Each Unit was comprised of one Common Share and one-half of one Common Share purchase warrant ("**Unit Warrant**"). Each whole Unit Warrant entitles the holder there of to purchase a Common Share at a price of $0.07 per share until March 13, 2017. The Company's Common Shares commenced trading on the Canadian Securities Exchange at the opening of market on March 23, 2015 under the trading symbol "NHL".

As at March 31, 2016, the members of Company's management and Board of Directors consisted of:

David Posner	President and CEO, Director
Al Quong	Chief Financial Officer
Adam Szweras	Director and Secretary
Statis Rizas	Chairman of the Board
Gary Margolin	Chief Operating Officer
Anne Marie Youhana	VP Product Development and Quality Control
David Caplan	Director
Brian Presement	Director
Billy Morrison	Director

The Company has also formed an advisory board (the "**Advisory Board**") to provide expertise and advice to the senior management team regarding operational matters relating to the execution of the Company's business plan. The Advisory Board is comprised of Frank Galati and Debra Zwiefelhofer.

Business Overview

The Company operates in the medical marijuana, retail marijuana and hemp infused products sectors in the United States, and other jurisdictions where such activity is permitted and regulated by applicable laws, through entities that hold a valid license to produce and distribute such products in accordance with applicable regulations.

The Company has two distinct objectives as a part of the separate business units:

- Marijuana-Infused Products Segment. In its Marijuana-Infused Products Segment, the Company is focused on developing, acquiring and designing marijuana-infused products and marijuana concentrate products and brands for sale by the Company where it has secured the required licensing, or for use by Licensed Operators entering into royalty or packaging agreements with the Company in jurisdictions where permitted; and

- Hemp-Infused Products Segment. The Company is focused on developing, acquiring, manufacturing and distributing products infused with non-psychoactive constituent of the industrial hemp plant (less than 0.3% THC or otherwise as permitted by applicable law), which may be distributed in all 50 states. The Company is pursuing a retail distribution strategy through networks of retail dispensaries where THC products are sold, head shops, vitamin stores and independent grocers via direct sales and distributors and is considering online sales, and multi-level marketing

The Company will establish operations only in U.S. States which have implemented adequate licensing frameworks and are in compliance with the "Cole Memo" as hereinafter described below.

Marijuana-Infused Products Segment

In its Marijuana-Infused Products Segment, the Company is focused on developing, acquiring and designing marijuana-infused products and marijuana concentrate products and brands for sale by the Company where it has secured the required licensing, or for use by Licensed Operators who enter into royalty agreements with the Company in respect to the Company's brands, recipes and know-how ("**Royalty Producers**") or sell packaging to Licensed Operators with the Company's branding. As marijuana-infused products for medicinal and/or recreational use are currently not legal in Canada for commercial sale, the Marijuana-Infused Products Segment is solely focused on the U.S. States where marijuana-infused products are permitted by law and regulation.

The Company's business model in its Marijuana-Infused Products Segment differs depending on the residency requirements of the applicable jurisdiction. Most U.S. States that have legalized marijuana for medical or recreational use require the businesses or individuals ("**Licensed Operators**") to hold a valid license ("**License**") under applicable regulation in the respective U.S. State issued by the applicable state authorities. In some U.S. States, for a Licensed Operator to be eligible to be granted a License, the owners of the Licensed Operator must be residents of such U.S. State. As such, listed companies or other widely held enterprises are ineligible to obtain a License in those U.S. States where a Licensed Operator must be a state resident. In such U.S. States, the Company will work with a Licensed Operator to provide them with financing, licensing of its products, recipes and brands, know how, consulting services and may purchase the facilities where such License Operators operate or intend to operate. In U.S. States where there are no residency requirements and where the Company may acquire licensing on its own, the Company may apply to become a License Operator. The Company will not operate in jurisdictions which have not legalized marijuana, and does not intend on operating in jurisdictions which have legalized marijuana but have not developed and imposed a licensing regime for Licensed Operators.

In Illinois, NHMDI has entered into a contract for sale under which it has taken possession of and has a right and obligation to purchase the Lawrenceville property and has applied for a dispensary license with a view of

establishing a business of serving the medical marijuana patients in the State of Illinois. NHMDI has submitted all necessary paperwork to the Illinois Department of Financial and Professional Regulation ("**DFPR**") to register a medical cannabis dispensary in Lawrenceville, IL. The Company is awaiting final approval of the registration package submission. The Company has commenced renovating and expects to begin operations by mid 2016. As NHMD indicated in its registration package, it is expected that the dispensary will operate under the name of "Small's Mill Medicinal Center". Based on its correspondence with IDFPR, the Company is confident of securing final approvals shortly.

In addition, NHMD has been advised by the IDFPR that it has been awarded Conditional Approval to register the Lawrenceville Dispensary under the Compassionate Use of Medical Cannabis Pilot Program Act (*Illinois*) ("**CUMCPPA**"). The Conditional Approval sets out the requirements that NHMD must fulfill prior to IDFPR approving the registration of the dispensary, which includes completing the renovations and passing the final inspection to the satisfaction of IDFPR. Upon meeting IDFRP's conditions, it is expected that NHMD will be granted a final license to operate the Lawrenceville Dispensary

Hemp-Infused Products Segment

In its Hemp-Infused Products Segment, the Company is focused on developing, acquiring, manufacturing and distributing products infused with non-psychoactive constituent of the industrial hemp plant (less than 0.3% THC or as otherwise permitted by applicable law), which may be distributed in all 50 U.S. States. The Company is pursuing a retail distribution strategy through networks of retail dispensaries where THC products are sold, head shops, vitamin stores and independent grocers via direct sales and distributors and is considering online sales, and multi-level marketing. Having access to the Company's expertise in manufacturing products from cannabis, these hemp-infused chocolate bars, hard candies, chews, gummies, push caps and gel capsules are expected to have a competitive edge in the market. The products are being sold under the "Nutritional Traditions" brand name and initial distribution efforts are underway in California retail customers in the first quarter of 2016.

Cole Memo Compliance

In a memorandum dated August 29, 2013, addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General (the "**Cole Memo**"), the U.S. Department of Justice acknowledged that certain U.S. States had enacted laws relating to the use of marijuana and outlined the U.S. federal government's enforcement priorities with respect to marijuana notwithstanding the fact that certain U.S. States have legalized or decriminalized the use, sale and manufacture of marijuana:

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from U.S. States where it is legal under state law in some form to other U.S. States;
- Preventing U.S. State-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on U.S. federal property.

There is no guarantee that the current presidential administration will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. Additionally, any new U.S. federal government administration that follows could change this policy and decide to enforce the U.S. federal laws vigorously.

The Company's operations are compliant with the Cole Memo.

Recent Business Developments

Illinois Joint-Venture, Oils and Edibles Relationship and Conditional Approval for Registration of the Dispensary

The Company has significant developments in Illinois, which include:

- Entered into joint-venture agreement ("**JV Agreement**") with an Illinois investor group with ties to the medical marijuana industry to build and operate the Company's planned dispensary in Lawrenceville, Illinois;
- Been granted conditional approval ("**Conditional Approval**") by the Illinois Department of Financial and Professional Regulation ("**IDFPR**") to establish the Lawrenceville Dispensary;
- Commenced renovations at the Lawrenceville Dispensary property; and
- Entered into an agreement with an Illinois cannabis cultivation and extraction facility to develop a framework under which the extraction facility will manufacture and distribute Nutritional High's oils and edibles in Illinois.

Under the terms of the JV Agreement the Illinois investor group will fund up to USD $300,000 of the expenses and working capital required to complete and launch the Lawrenceville Dispensary. In addition, this investor group will provide the Company with a guarantee for half the Seller Take-Back Mortgage. In exchange for its contribution, the investor group shall receive a 50% interest in NHMD, the Company's wholly owned subsidiary which holds the Conditional Approval for the Lawrenceville Dispensary, and a 50% interest in SMHI, the Company's wholly owned subsidiary which holds the Company's interest in the Dispensary real estate property located in Lawrenceville, IL.

The investor group has already made initial advances to fund the Lawrenceville Dispensary renovations and property mortgage payments. The joint venture is subject to the approval of the IDFPR and the entry into a shareholders agreement. Furthermore, it is contemplated that the investor group will contribute to the management of the Lawrenceville Dispensary and its relationships in the surrounding community will help accelerate the growth and development of the Dispensary.

In addition, NHMD has been advised by the IDFPR that it has been awarded Conditional Approval to register the Lawrenceville Dispensary under the Compassionate Use of Medical Cannabis Pilot Program Act (*Illinois*) ("**CUMCPPA**"). The Conditional Approval sets out the requirements that NHMD must fulfill prior to IDFPR approving the registration of the dispensary, which includes completing the renovations and passing the final inspection to the satisfaction of IDFPR. Upon meeting IDFRP's conditions, it is expected that NHMD will be granted a final license to operate the Lawrenceville Dispensary.

The Company also has entered into an agreement with an Illinois cannabis cultivation and extraction facility to develop a framework under which the extraction facility will manufacture and distribute Nutritional High's oils and edibles in Illinois. The cultivation and extraction facility is licensed with Illinois Department of Agriculture and was amongst the first of the companies to commence commercial cultivation and processing of cannabis products under the CUMCPPA. The Company will develop its business framework with the extraction facility over the next 18 months and will provide updates as this business initiative develops.

Lawrenceville Dispensary Application and Lawrenceville Property Acquisition

The Company has taken possession of the real estate property in Lawrenceville, Illinois ("**Lawrenceville Property**") on November 25, 2015, the Lawrenceville PSA. The final acquisition price for the Lawrenceville property was USD $350,000. The Company has also negotiated a seller take-back mortgage ("**Seller Take-Back Mortgage**"), which will have a 15 year amortization period, bearing an interest at the rate of 6% and be due in two years from the date of issuance as a balloon payment. Upon Payment of the Seller Take-Back Mortgage, title to the Lawrenceville Property will automatically transfer SMHI (as hereinafter defined).

Board of Directors Update

Michael Pesner resigned from the Board on January 26, 2016.

Hemp Product Launch

The Company has rolled out of the first three products in its Hemp-Infused Products Segment. Initial products are being made available to consumers in California include capsules, push caps for water bottles, and a push cap formulation for post-exercise recovery called "Rapid Recovery". In addition, the Company intends to commenced sales of these products in Colorado in 2016, targeting sales to marijuana dispensaries in Colorado, further developing sales channels for the Company's marijuana oil and edible brands.

Financing Developments

On August 20, 2015, the Company issued 692,431 shares valued at $51,932 as the final instalment on its initial licensing obligations.

On September 7, 2015, the Company issued 406,668 shares valued at $20,333 as compensation for services where the fair value of shares was determined based on the value of services received.

On October 5, 2015, 8,000 warrants were exercised for gross proceeds of $400.

On October 23, 2015, a holder of the convertible debentures converted $180,000 in convertible debentures into 3,000,000 common shares of the Company at a share price of $0.06 per share.

On October 26, 2015, the Company issued 50,000 shares valued at $2,500 as compensation for services where the fair value of shares was determined based on the value of services received.

On November 5, 2015, 1,600,000 warrants were exercised for gross proceeds of $80,000.

On November 5, 2015, a holder of the convertible debentures converted $100,000 in convertible debentures into 1,666,667 common shares of the Company at a share price of $0.06 per share.

On November 11, 2015, a holder of the convertible debentures converted $70,000 in convertible debentures into 1,166,667 common shares of the Company at a share price of $0.06 per share.

On November 17, 2015, 1,000,000 warrants were exercised for gross proceeds of $50,000.

On December 2, 2015, the Company completed a non-brokered private placement of 4,200,000 units at $0.05 per unit for gross proceeds of $210,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.07 per share for a period of 18 months from the date of issuance.

On January 28, 2016, the Company has issued 2,822,700 shares to settle $141,135.00 of debt, where the fair value of shares was determined based on the value of debts outstanding.

On January 31, 2016, the Company completed a non-brokered private placement of 800,000 units at $0.05 per unit for gross proceeds of $40,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.07 per share for a period of 18 months from the date of issuance.

On February 29, 2016 and on March 2, 2016, each of David Posner, CEO and Director, and 1306413 Ontario Limited, respectively, advanced CAD $15,000 (a total of $30,000), which was added to the Subordinated Convertible Debenture. As of the date of this prospectus the total amount of Subordinated Convertible Debentures is CAD $180,000.

On March 22, 2016, 160,000 compensation options were exercised for $4,000 for 160,000 Common Shares and 80,000 Unit Warrants.

On March 18, 2016, the Company issued 5,000,000 Common Shares at a price of USD $0.05 per share to Purple Haze Properties LLC per the license agreement addendum with Purple Haze Properties LLC.

Overall Performance

As at January 31, 2016, the Company had assets of $2,608,669, liabilities of $1,199,035 and shareholders' equity of $1,409,634. During the period ended January 31, 2016, the Company incurred a net loss and comprehensive loss of $661,522.

At January 31, 2016, the Company had working capital deficiency of $327,988 and cash of $18,233.

Selected Annual Information

Summarized selected financial information with respect to Nutritional High is as follows:

		Six month period ended January 31, 2016	Year ended July 31, 2015	Period ended July 31, 2014
Total expenses		(832,188)	(2,179,122)	(681,155)
Other income		179,558	110,762	-
Net loss		(652,630)	(2,068,360)	(681,155)
Foreign exchange translation		(8,892)	(15,285)	-
Net loss and comprehensive loss		(661,522)	(2,083,645)	(681,155)
Loss per share		(0.005)	(0.02)	(0.01)
Total assets		2,608,669	1,972,588	695,477
Total liabilities		1,199,035	1,142,249	220,150
Shareholders' Equity	$	1,409,634	830,339	475,327

Three months period ended January 31, 2016

The Company incurred a net loss of $291,228 or $0.002 per Common Share for the three month period ended January 31, 2016 compared with a net loss of $339,845 or $0.005 per Common Share for the same period ended January 31, 2015.

For the three month period ended January 31, 2016, management and consulting fees increased by $248,088 to $352,358 from $104,270 in the same period in 2015, and consisted of services provided by FMI Capital Advisory Inc., for strategic advisory services, Branson Corporate Services Ltd. for financial accounting services, including CFO services, and the President and CEO of the Company.

For the three month period ended January 31, 2016, professional fees, consisting of legal and audit fees, decreased by $142,059 to $51,908 from $193,967 for the comparable period in the prior year. The prior year included fees incurred for the going public transaction.

The Company earned $133,856 in rental income on the Pueblo location for the three month period ended January 31, 2016, and $32,519 for the comparable period in the prior year. In the prior year, there was one less lease, and two leases commenced on January 1, 2015, & therefore, included only one month of rent. As well, in the prior year, the average US exchange rate was 1.1357 vs 1.3448 in the current period.

Six months period ended January 31, 2016

The Company incurred a net loss of $652,630 or $0.005 per Common Share for the six month period ended January 31, 2016 compared with a net loss of $722,572 or $0.010 per Common Share for the same period ended January 31, 2015.

For the six month period ended January 31, 2016, management and consulting fees increased by $290,804 to $549,024 from $258,220 in the same period in 2015, and consisted of services provided by FMI Capital Advisory Inc., for strategic advisory services, Branson Corporate Services Ltd. for financial accounting services, including CFO services, and the President and CEO of the Company.

For the six month period ended January 31, 2016, professional fees, consisting of legal and audit fees, decreased by $295,415 to $76,625 from $372,040 for the comparable period in the prior year. The prior year included fees incurred for the going public transaction.

The Company earned $259,543 in rental income on the Pueblo location for the six month period ended January 31, 2016, and $32,519 for the comparable period in the prior year. In the prior year, there was one less lease, and two leases commenced on January 1, 2015, & therefore, included only one month of rent. As well, in the prior year, the average US exchange rate was 1.1357 vs 1.3448 in the current period.

Selected financial information for the previous quarters as follows:

Quarter ended	Revenues	Net loss and comprehensive loss	Net loss per share
July 31, 2014	$nil	$(681,155)	$(.012)
October 31, 2014	Snil	$(385,006)	$(.005)
January 31, 2015	$nil	$(367,651)	$(.005)
April 30, 2015	$nil	$(631,933)	$(.005)
July 31, 2015	$nil	$(699,055)	$(.008)
October 31, 2015	$nil	$(361,348)	$(.003)
January 31, 2016	$nil	$(300,174)	$(.002)

Liquidity and Financial Position

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2016, the Company had current assets of $233,802, current liabilities of $561,790 and working capital deficiency of $327,988.

The following are the contractual maturities of financial liabilities at January 31, 2016:

	Total	Less Than 1 Year	1 to 2 Years	Greater than 2 Years
Accounts payable, accrued liabilities	$548,074	$548,074	-	-
Promissory note payable	$347,735	$13,716	$334,019	-

Related Party Transactions and Key Management Compensation

NHL and FMICAI entered into an advisory and consulting agreement on May 1, 2014, FMICAI is a subsidiary of Foundation Financial Holdings Corp. ("**FFHC**"). FFHC is an entity in which an officer is a director of the Company. In consideration for services, NHL agreed to pay an initial advisory fee of $35,000 and a monthly fee of $8,000 commencing on May 1, 2014. An amendment to the agreement was entered into on October 27, 2014, to include a success fee of $70,000, payable upon successful completion of the IPO, half of which was paid in Units and half of the success fee in cash. A further amendment to the agreement was entered into on September 11, 2015 to increase the monthly fee to $16,000 effective January 1, 2015, for additional services to be rendered including ongoing executive management services, identifying qualifying real estate, assistance with licensing applications, implementing the business plan, seeking out state licensed providers, and assist in build-out of Pueblo facility. For the six month period ended January 31, 2016, NHL was charged $96,000 by FMICAI. At January 31, 2016, $164,930 is included in accounts payable and accrued liabilities in relation to FMICAI.

NHL and Branson entered into a management services agreement on May 1, 2014. The management services agreement includes the provision of services of the Company's Chief Financial Officer. Branson is an entity in which FFHC is a 49.0% shareholder. In consideration for services the Company agreed to pay $3,000 per month. An amendment to the agreement was entered into on October 1, 2014 to increase the fee to $5,000 per month. A further amendment to the agreement was entered into on October 27, 2014, to include a success fee of $30,000, which was paid upon the successful completion of the IPO. A further amendment to the agreement was entered into on March 1, 2015 to increase the fee to $6,000 per month. For the six month period ended January 31, 2016, the Company paid $36,000 for management services provided by Branson. As at January 31, 2016, $36,934 is included in accounts payable and accrued liabilities in relation to Branson.

For the six month period ended January 31, 2016, Fogler, Rubinoff LLP ("**Fogler**") a law firm in which an officer and director of the Company is also a partner, provided $16,089 of legal services, which are included in professional fees. As at January 31, 2016, $34,348 due to Fogler is included in accounts payable and accrued liabilities.

During the six month period ended January 31, 2016, $48,000 salary was paid to the Company's Chief Executive Officer. As at January 31, 2016, $65,280 is included in accounts payable and accrued liabilities.

During the six month period ended January 31, 2016, $42,542 was paid to the Company's Chief Operating Officer.

As at January 31, 2016, $34,211 is included in accounts payable and accrued liabilities.

Disclosure of outstanding share data as of March 31, 2015

	Authorized	Outstanding
Voting or Equity securities issued and outstanding	Unlimited Common Shares	141,942,514 Common Shares
Securities convertible or exercisable into common shares		a) Options to acquire up to 11,300,000 Common Shares; b) 2,160,000 Series I Warrants; c) 150,000 Series II Warrants; d) 3,566,638 Series III Warrants; e) 2,100,000 Series IV Warrants f) 15,794,000 Unit Warrants; g) 4,156,000 Warrants h) 2,408,800 Compensation Options i) Senior Convertible Debenture in the principal amount of $100,000, convertible into Common Shares at the Conversion Price, subject to Conversion Price Adjustment; j) Subordinate Convertible Debenture in the principal amount of $180,000, convertible into Common Shares at the Conversion Price, subject to Conversion Price Adjustment; and

Off-Balance Sheet Arrangements

As of January 31, 2016, the Company has no off balance sheet arrangements.

Critical Accounting Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results could defer from those estimates. The reported amounts and note disclosures reflect management's best estimate of the most probable set of economic conditions and planned course of action. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which these estimates are revised and in any future periods affected. Balances and transactions that are subject to a high degree of estimation are the continued use of the going concern assumption, the identification of separate components for revenue recognition purposes and estimates of costs to complete and other components

leading to the percentage of completion determination for revenue recognition, valuation of income tax assets and research and development tax credits.

Information about such critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements is included with the Company's significant accounting policies for such balance and transactions in Note 3 to the Company's unaudited condensed interim financial statements for the period ended January 31, 2016. Changes in these estimates and assumptions could have a significant impact on the Company's financial statements.

Significant accounting policies

Share based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the **vesting date**"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of Common Shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. When there is a loss, no potential shares are included in the computation as they are anti-dilutive.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables, or at fair value through profit or loss ("**FVTPL**").

Financial assets classified as FVTPL are measured at fair value with realized gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. The Company classified loans and other receivables as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At January 31, 2016, the Company has not classified any financial assets as available for sale or held to maturity.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At January 31, 2016, the Company had not classified any financial liabilities as FVTPL.

Cash

Cash in the statement of financial position is comprised of cash in bank and held in Company’s lawyers trust account.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, loan and other receivables. The Company has no significant concentration of credit risk arising from operations. The majority of the Company's cash is held in a trust account with the Company's lawyer. Remaining cash is held with a reputable Canadian chartered bank which is closely

monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash, loans and other receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company has accumulated losses of $3,393,225 and expects to incur further losses in the development of its business. As at January 31, 2016, the Company had a cash balance of $18,233 and current liabilities of $561,790.

Risk Factors

There are numerous and various risks, known and unknown, that may prevent the Company from achieving its goals. It is believed that these are the factors that could adversely affect the Company's business, financial condition or results of operation. In such case, the trading price of the Common Shares could decline and investors could lose all or part of their investment. The following is a summary of certain risks that could be applicable to the business of the Company:

Limited Operating History

The Company has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, 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 its early stage of operations. The Company has no history of earnings. Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Reliance on Securing Agreements with Royalty Producers

The regulatory framework in most U.S. States restricts the Company from obtaining a License to grow, store and sell marijuana products. As such, the Company relies on securing agreements with Royalty Producers in the targeted jurisdictions that have been able to obtain a License with the appropriate regulatory authorities. Failure of a Royalty Producer to comply with the requirements of their License or any failure to maintain their License would have a material adverse impact on the business, financial condition and operating results of the Company. Should the regulatory authorities not grant a License or grant a License on different terms unfavorable to the Royalty Producers, and should the Company be unable to secure alternative Royalty Producers, the business, financial condition and results of the operation of the Company would be materially adversely affected.

If the federal government changes its approach to the enforcement of laws relating to marijuana, the Company would need to seek to replace those tenants with non-marijuana tenants, who would likely pay lower rents. It is likely that the Company would realize an economic loss on its capital acquisitions and improvements made to its capital assets specific to the marijuana industry, and the Company would likely lose all or substantially all of its investments in the markets affected by such regulatory changes.

The Company will advance significant funds to Palo Verde in a form of unsecured loans, which the Company may not be able to collect if Palo Verde fails to achieve commercial production. Palo Verde is a development stage entity with limited capacity to raise funds. There is no assurance that any or all of the amounts loaned will be recovered by the Company. If Palo Verde is unable to commence commercial production in a profitable fashion or secure an alternative source of funds, the full amount of the loan might be written off.

Regulation

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company is currently in compliance 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 the Company's operations.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

U.S. Federal Laws

Our business operation is dependent on state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

The concepts of "medical marijuana and "retail marijuana" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company.

As of December 20, 2015, 23 states, the District of Columbia and Guam allow their residents to use medical marijuana. Voters in the states of Colorado and Washington approved and implemented regulations to legalize cannabis for adult use. The state laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the administration will not change its stated policy regarding the low-priority enforcement of federal laws. Additionally, any new administration that follows could change this policy and decide to stringently enforce the federal laws. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect our operations. Local, state and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business.

Regulation that may hinder the Company's Ability to Establish and Maintain Bank Accounts

The U.S. federal prohibitions on the sale of marijuana may result in Royalty Producers being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from Royalty Producers. Royalty Producers at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and Royalty Producers. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that Royalty Producers may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability, Operational Risk

As a licensing company (in the case of the Company) and a manufacturer and distributor of products (in the case of the Licensed Operators) designed to be ingested by humans, the Licensed Operators and the Company face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana-infused products based on the Company's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's and the Licensed Operator's products alone or in combination with other medications or substances could occur.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company and sold by Royalty Producers are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention and could harm the image of the brand and Company.

Uninsurable Risks

The medical and retail marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

Additional Financing

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders.

Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Risks Affecting the Real Estate Industry

The Company is subject to risks generally associated with ownership of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of, or demand for, similar or competing properties in the area; (c) bankruptcies, financial difficulties or defaults by tenants or other parties (including Licensed Operators and Royalty Producers); (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve full stabilized occupancy at rental rates adequate to produce targeted returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; and (j) changes in tax, real estate, environmental, zoning or other laws or regulations. There is no assurance that the Company's investments will yield an economic profit.

Weakness in regional and national economies could materially and adversely impact the Licensed Operators and Royalty Producers leasing the real estate properties that the Company's may acquire in the future. If the Licensed Operators or Royalty Producers suffer a business disruption or the Company's ability to collect the rents from those parties may be limited, and the recourse available to the Company can be limited. As such, this may hinder the Company's ability to service its financial obligations, and in some cases may lead to complete loss of the Company's assets if its lenders were to foreclose.

Taxes

U.S. federal prohibitions on the sale of marijuana may result in the Company not being able to deduct certain costs from its revenue for U.S. federal taxation purposes if the U.S. Internal Revenue Service determines that revenue sources of the Company are generated from activities which are not permitted under U.S. federal law.

Illegal Drug Dealer Could Pose Threats

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

Reliance on Management

The success of the Company is currently dependent on the performance of its senior management. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Factors which may Prevent Realization of Growth Targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company and its Licensed Operators or Royalty Producers, as the case may be:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Risks Associated with Increasing Competition

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medicinal and recreational industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and

labour, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

The Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdiction increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

The Products Provided by the Company to Royalty Producers May Become Subject to Regulation Governing Food and Related Products

Should the Federal government legalize marijuana for medical or recreational use nation-wide, it is possible that the U.S. Food and Drug Administration ("**FDA**") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical marijuana and marijuana-infused products. Clinical trials may be needed to verify efficacy and safety of the medical marijuana. It is also possible that the FDA would require that facilities where medical marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, The Company cannot foresee the impact on its operations and economics. If the Company or the Royalty Producers are unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company or the Royalty Producer may be unable to continue to operate in its current form or at all.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Difficult to Forecast

The Company must 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 marijuana industry in Canada and the U.S. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Holding Company

As a holding company with no material assets other than the stock of the Company's operating subsidiaries and intellectual property, nearly all of the Company's funds generated from operations are generated by the Company's operating subsidiaries. The Company's subsidiaries are subject to requirements of various regulatory bodies, both domestically and internationally. Accordingly, if the Company's operating subsidiaries are unable, due to regulatory restrictions or otherwise, to pay the Company's dividends and make other payments to the Company when needed, the Company may be unable to satisfy the Company's obligations when they arise.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Currency Exchange Rates

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in the United States using U.S. dollars. The Company's financial results are reported in Canadian Dollars and costs are incurred primarily in U.S. dollars in its Marijuana–Infused Products Segment. The depreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Company's U.S. operations and materially adversely affect the results presented in the Company's financial statements.

Officers and Directors of the Company Own Significant Shares and Can Exercise Significant Influence

The officers and directors of the Company, as a group, own a substantial number of the outstanding common shares (on a fully diluted basis). As such, as shareholders, the officers and directors will be able to exert significant influence on matters requiring approval by shareholders, including the election of directors and the approval of any significant corporate transactions. The concentration of ownership may also have the effect of delaying, deterring or preventing a change in control and may make some transactions more difficult or impossible to complete without the support of these shareholders.

We share control in joint venture projects, which limits our ability to manage third-party risks associated with these projects.

Joint venturers often have shared control over the operation of our joint venture assets, such as the joint-venture arrangement with Illinois investor group, and do not control all the decisions of the joint ventures. Therefore, joint venture investments may involve risks such as the possibility that a co-venturer in an investment might become bankrupt, be unable to meet its capital contribution obligations, have economic or business interests or goals that are inconsistent with our business interests or goals, or take actions that are contrary to our instructions or to applicable laws and regulations. In addition, we may be unable to take action without the approval of our joint venture partners, or our joint venture partners could take actions binding on the joint venture without our consent. Consequently, actions by a co-venturer or other third-party could expose us to claims for damages, financial penalties and reputational harm, any of which could have an adverse effect on our business and operations. In addition, we may agree to guarantee indebtedness incurred by a joint venture or co-venturer or provide standard indemnifications to lenders for loss liability or damage occurring as a result of our actions or actions of the joint venture or other co-venturers. Such a guarantee or indemnity may be on a joint and several basis with a co-venturer, in which case we may be liable in the event such co-venturer defaults on its guarantee obligation. The non-performance of such obligations may cause losses to us in excess of the capital we initially may have invested or committed under such obligations.

Preparing our financial statements requires us to have access to information regarding the results of operations, financial position and cash flows of our joint ventures. Any deficiencies in our joint ventures' internal controls over financial reporting may affect our ability to report our financial results accurately or prevent or detect fraud. Such deficiencies also could result in restatements of, or other adjustments to, our previously reported or announced operating results, which could diminish investor confidence and reduce the market price for our shares. Additionally, if our joint ventures are unable to provide this information for any meaningful period or fail to meet expected deadlines, we may be unable to satisfy our financial reporting obligations or timely file our periodic reports.

Although our joint ventures may generate positive cash flow, in some cases they may be unable to distribute that cash to the joint venture partners. Additionally, in some cases our joint venture partners control distributions and may choose to leave capital in the joint venture rather than distribute it. Because our ability to generate liquidity from our joint ventures depends in part on their ability to distribute capital to us, our failure to receive distributions from our joint venture partners could reduce our return on these investments.

Upon Illinois investor group completing the earn-in by contributing USD $300,000 to the dispensary in Illinois, they will earn 50% interest in each of NHMDI and SMHI. The joint venture might require a need for additional capital infusions in excess of $300,000, which might create an obligation on the Company to make additional contributions, failing to do which may result in reduction of the Company's interest in NHMDI and SMHI. In addition, Illinois investor group's failure to contribute may create an greater need for the Company to contribute additional capital, which may not be available to the Company on favorable terms or at all.

Non-compliance with federal, provincial or state laws and regulations, or the expansion of current, or the enactment of new laws or regulations, could adversely affect the Company's Business.

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's Business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Business, results of operations and financial condition of the Company.

While cannabidiol ("**CBD**") can be found in certain strains of cannabis, which faces significant restrictions on use and distribution under the United States Controlled Substances Act ("**CSA**"), the Company is not sourcing CBD from cannabis at present.

While oil derived from industrial hemp stalk that has naturally occurring THC content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("**FDA**") will not regulate the use of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of 1994 ("**DSHEA**"), or would otherwise be permitted for use under the

DSHEA. The FDA has taken steps to pursue companies that manufacture hemp-infused products that make health and medical claims about their products, and may take steps to pursue companies that manufacture marijuana products. This may include Royalty Producers, which would adversely effect the Company's financial performance.

The Company relies on the supply of hemp stalk oil extracts, which is imported into the United States from other countries, as the United States Drug Enforcement Administration ("**DEA**") has taken a position that CBD is a marijuana derivative and, therefore, a Schedule I drug. Currently, the definition of "marijuana" in the CSA does not

include the plant's "mature stalks", which are used to create hemp (which only contains trace amounts of THC and has no psychoactive effect). Hemp stalk oil is not scheduled under the CSA and therefore, is also not under the enforcement authority of the DEA. Currently, the DEA does not take jurisdiction over hemp stalk oil products, but controls hemp cultivation, and companies that wish to cultivate hemp in the United States must apply for a permit with the DEA. If in future DEA takes jurisdiction to regulate hemp stalk oil products, the Company may become subject to additional licensing requirements, which may require additional capital. There is no assurance that the Company will be able to obtain any such licenses, or be eligible to apply for such licenses, which would adversely affect the Company's Business.

Internal Control over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the six month period ended January 31, 2016, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at January 31, 2016 covered by this management's discussion and analysis, management of the Company, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109

Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the

President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include, without limitation: the intention to complete the listing; the description of the Company that assumes completion of the listing of its

Common Shares; the intention to grow the business and operations of the Company; anticipated timing for the ability of the Company to agree to terms of royalty agreements with Royalty Producers; expected growth in the number of users of Medical Marijuana in Canada; the risk of foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve its business objectives, the uncertainty associated with commercial negotiations and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the condensed interim consolidated financial statements for the period ended January 31, 2016 and the audited consolidated financial statements for the year ended July 31, 2015 in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the condensed interim consolidated financial statements with management. The Board of Directors has approved the condensed interim consolidated financial statements on the recommendation of the Audit Committee.

March 31, 2016

David Posner
Chief Executive Officer