MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED OCTOBER 31, 2014

December 23, 2014

Management's discussion and analysis (MD&A) is current to December 23, 2014 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 October 31, 2014, and the Company’s audited consolidated financial statements for the period ended July 31, 2014, 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 Nutritional High’s 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 Medicinal (Minnesota) Inc., and Eglinton Medicinal Advisory Ltd. ("**EMAL**"). 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 Medical Advisory and Retail Segment. In its Marijuana-Infused Products Segment, the Company is developing brands, trademarks, applications and packaging for Marijuana-Infused Products to enter into royalty relationships with Licensed Operators in jurisdictions where permitted by regulation, as well as parties who are seeking a license from appropriate regulatory authorities. The Company also has established a Medical Advisory and Retail Segment focused on the Medical Marijuana industry in Canada and the US. To date, the Company has not earned any revenues and is 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 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. The Company operates in two segments: Marijuana-Infused Products Segment and Medical Advisory and Retail Segment.

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 use by Royalty Producers entering into royalty agreements with the Company in jurisdictions where permitted. As Marijuana-Infused Products for medicinal and/or recreational use are currently not legal in Canada, 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 Licensed Operators to hold a License issued by the applicable state authorities. In some 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. 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.

Medical Advisory and Retail Segment

The Company's Medical Advisory and Retail Segment are focused on serving the end-users of Medical Marijuana. The Medical Advisory and Retail Segment of the Company's business is comprised of the Clinic Business, which provides medical and educational consulting services and the Retail Business which is focused on franchising retail Medical Marijuana dispensaries in the jurisdictions in the United States without Residency Requirements, where permitted by regulation. The Company views the Medical Advisory and Retail Segment as an opportunity to establish a retail client base that has a potential to become synergistic in the future with the Company's Marijuana-Infused Products Segment, as the Company does not anticipate that the licenses will be granted in the 12 months following the completion of the Offering, due to regulatory uncertainty surrounding the regulation of Medical Marijuana in Canada.

The Company has established the Clinic Business focused on providing services to patients that can potentially benefit from the use of Medical Marijuana. In Illinois, NHCI has entered into an agreement 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. The Company has also entered into options to acquire interests in two separate companies in the process of applying for MMPR licenses. The options are currently of secondary priority to the Company's Medical Advisory and Retail Segment.

As at December 23, 2014, the members of Company's management and Board of Directors consisted of:

David Posner	President and CEO
Al Quong	Chief Financial Officer
Adam Szweras	Director and Secretary
Statis Rizas	Chairman of the Board
Michael Pesner	Director
David Caplan	Director
Brian Presement	Director
Michael Dacks	Director

The Company has also announced that it has 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, Debra Zwiefelhofer and Matthew Gray.

Business Overview

The Company operates in the Medical Marijuana and Retail Marijuana sectors in the United States and in the Medical Marijuana sector in Canada. 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 use by Royalty Producers entering into royalty agreements with the Company in jurisdictions where permitted; and
- Medical Advisory and Retail Segment. Focused on serving the end-users of Medical Marijuana by providing medical and educational consulting services and franchising retail Medical Marijuana dispensaries in the jurisdictions in the United States, where permitted by applicable regulations.

Recent Business Developments

Pueblo Location Interim Lease Agreement

On September 14, 2014, NHC entered into an Interim Lease Agreement with the vendor of the Pueblo Location for the purpose of the initial set-up and access for Palo Verde's operations. The lease carries monthly rent of US$500 and a term ending on the earlier of: (i) 12 months from the date of signing the Interim Lease Agreement, or (ii) the closing date of the acquisition of the Pueblo Location. Under the terms of the Interim Lease Agreement, NHC has sublet the Pueblo Location to Palo Verde. The Interim Lease Agreement was terminated on November 17, 2014, when the company completed the acquisition of the Pueblo Location.

Pueblo Location Acquisition

NHC acquired the Pueblo Location on November 17, 2014, pursuant to the Pueblo PSA. The Pueblo Location is comprised of three main buildings, several smaller storage buildings, an old boiler building and an oversized two-car garage on approximately three acres. NHC paid an aggregate purchase price of US$885,000. Lease rates for similar properties are at a premium given the short supply of locations which meet the zoning and licensing requirements imposed on the industry.

The Company financed the purchase price of the Pueblo Location through the issuance of two secured convertible debentures in an aggregate principal amount of $600,000. The remainder of the purchase price was funded by the Company through working capital.

Closing of Senior and Subordinate Debenture financings relating to Pueblo Location Acquisition

The Company issued to an arm's length party a senior secured convertible debenture (the "**Senior Convertible Debenture**") in the principal amount of $450,000. The Senior Convertible Debenture matures on November 17, 2016 (the "**Maturity Date**") and carries an interest rate of 12% per annum. The Senior Convertible Debenture is secured by a first ranking general security interest over all assets of the Company. The Senior Convertible Debenture is convertible into Common Shares at any time prior to the Maturity Date at a price equal to a 20% premium to the Offering Price (the "**Conversion Price**"). If the Company fails to complete the Offering on or before January 31, 2015, the Conversion Price shall be reduced to $0.05 per Common Share. If the Company completes the Offering on or before January 31, 2015, but less than $1,000,000 is raised, the Conversion Price shall be equal to the price at which the Company completes the Offering (the "**Conversion Price Adjustment**") and the Company shall also issue to the holder 450,000 Common Shares immediately prior to closing the Offering.

The Company has also issued a subordinated secured convertible debenture (the "**Subordinate Convertible Debenture**") in the principal amount of $150,000 to a group of lenders comprised of Adam Szweras, Statis Rizas and David Posner, all of whom are directors of the Company. The Subordinate Convertible Debenture matures on the Maturity Date and carries an interest rate of 12% per annum. The Subordinate Convertible Debenture is secured by a general security interest over all assets of the Company, subordinate to the Senior Convertible Debenture. The Subordinate Convertible Debentures carries the same Conversion Price and Conversion Price Adjustment provisions as the Senior Convertible Debentures (excluding the issuance of 450,000 Common Shares immediately prior to closing the Offering).

Grant of Two Marijuana Licenses to Palo Verde

On October 1, 2014, Palo Verde advised the Company that it has received two marijuana licenses from the MED:

- Retail Marijuana Product Manufacturing License ("**RMIP License**") – a license used exclusively for the manufacture and preparation of Retail Marijuana products and concentrates, such as edible products, ointments, and tinctures. The products manufactured under the RMIP License can only be sold to other license holders or to licensed Colorado dispensaries.
- Retail Marijuana Cultivation License ("**RMC License**") – used exclusively for the cultivation of Retail Marijuana plants and the harvesting of Retail Marijuana. If not associated with a product manufacturer, this licensee may sell Retail marijuana to other cultivations, dispensaries or product manufacturers within the Colorado regulated system.

The Company is working with Palo Verde to finalize a brand and recipe royalty agreement. Palo Verde has received requisite approvals in respect to its licenses from the MED and is in the process of obtaining final approvals from the local government to commence operations.

Agreements with Palo Verde

To date, the Company has entered into the following agreements with Palo Verde:

- The Lease Agreement (MIP), which carries an annual rent of US$15 per square foot, subject to a 5% annual increase, and having a term of two years with an option to renew for an additional four years. The Lease Agreement (MIP) covers an area of 11,000 square feet. The rent commences on January 1, 2015 subject to a six month deferral period. The deferred rent will accrue at a rate of 12% per annum and will be paid over a period of three months commencing on the expiry of the deferral period. Under the terms of the lease agreement, Palo Verde shall not sublet the leased property or any part thereof, nor assign the leases or any interest therein, without the prior written consent of NHC.

- The Lease Agreement (Cultivation), which carries an annual rent of US$15 per square foot, subject to a 5% annual increase, and having a term of two years with an option to renew for an additional four years. The Lease Agreement (Cultivation) covers an aggregate area of 15,000 square feet, comprised of two buildings. The vendor of the Pueblo Location currently occupies the 10,000 building pursuant to the Pueblo PSA and pays US$2,500 per month in rent. The vendor of the Pueblo Location is expected to vacate the premises at the end of August 2015, at which time, Palo Verde will occupy the building pursuant to the Lease Agreement (Cultivation) and commence paying rent in accordance with such agreement. The rent payable by Palo Verde on the 5,000 currently occupied by it commences on January 1, 2015 subject to a nine month deferral period. The rent payable on the 10,000 to be occupied by Palo Verde beginning on September 1, 2015 commences on September 1, 2015 subject to a nine month deferral period. The deferred rent will accrue at a rate of 12% per annum and will be paid over a period of three months commencing on the expiry of the deferral period. Under the terms of the lease agreement, Palo Verde shall not sublet the leased property or any part thereof, nor assign the leases or any interest therein, without the prior written consent of NHC.
- A revolving loan agreement providing a US$150,000 unsecured debt facility to Palo Verde to draw funds for general day-to-day operating purposes, obtaining raw materials, hiring of staff and other ancillary costs related to starting and maintaining production. The loan commenced on July 23, 2014 and is effective for a period of 12 month at a rate of 12% per annum. The interest compounds on a monthly basis. Principal and accrued interest are payable at maturity of the facility. Palo Verde may extend the maturity date for up to five successive one-year terms for a total of five years, but no later than July 22, 2020. Each extension is subject to 2% origination fee.

The Company is also finalizing a recipe and branding royalty agreement to provide its intellectual property including recipes, branding, packaging and other know-how to Palo Verde. The Company anticipates entering such agreement with the Palo Verde in early 2015. Such agreement is conditional on approval of the MED.

Financing Developments

On October 8, 2014, the Company completed a private placement (the "**Private Placement**") of 4,000,000 Common Shares and 2,000,000 Series I Warrants for aggregate proceeds of $100,000 from an arm's length investor, which funds were received in trust in June 2014. In connection with the Private Placement, the Company paid a finder's fee of $8,000 and issued an aggregate of 320,000 finder's warrants (the "**Finder's Warrants**"). Each Finder's Warrant is exercisable into one Unit at a price of $0.025 per Unit for a period of 18 months from the Closing Date.

Following the completion of the Private Placement, there were an aggregate of 15,500,006 Series I Warrants outstanding, each of which entitles the holder thereof to acquire one Common Share at a price of $0.05 per Common Share at any time prior to the date that is 18 months from the issuance thereof, subject to the early exercise provisions as follows:

- If the holders of Series I Warrants elect to exercise the Series I Warrants prior to October 31, 2014, in addition to receiving a Common Share, they will receive an additional warrant ("**Series III Warrant**") exercisable at a price of $0.10 at any time prior to October 31, 2016.
- The terms of any unexercised Series I Warrants outstanding after October 31, 2014 will remain unchanged.

The Company has granted 400,000 incentive stock options to Michael Pesner. Each option is exercisable into one common share at an exercise price of $0.10 per share and expires on the fifth anniversary of grant. This stock option issuance is in consideration of Mr. Pesner joining the board.

An aggregate of 3,566,638 Series I Warrants were exercised prior to October 31, 2014 for aggregate proceeds of $178,332. As of the date hereof, the Company has issued and outstanding an aggregate of 79,480,269 Common Shares, 11,933,368 Series I Warrants, 150,000 Series II Warrants, 3,566,638 Series III Warrants, 320,000 Finder's Warrants and 3,200,000 Company stock options.

In addition, the Company's board has approved an issuance of 3,550,000 additional stock options to officers, directors and consultants with an effective issue date of the date the Company closes its initial public offering. The exercise price of such options will be equal to the exercise price of the warrants that will be issued as a part of such initial public offering.

Overall Performance

As at October 31, 2014, the Company had assets of $612,592, liabilities of $250,158, and shareholders' equity of $362,434. During the period ended October 31, 2014, the Company incurred a loss of $385,006.

As at October 31, 2014, the Company had working capital of $334,928 and cash of $517,483.

Selected Financial Information

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

		Three month period ended October 31, 2014	Period ended July 31, 2014
Total expenses	$	(383,822)	(681,155)
Other income		1,095	-
Net loss		(382,727)	(681,155)
Comprehensive loss		(2,279)	-
Net loss and comprehensive loss		(385,006)	(681,155)
Loss per share		(0.005)	(0.012)
Total assets		612,592	695,477
Total liabilities		250,158	220,150
Shareholders' equity	$	362,434	475,327

Three months period ended October 31, 2014
The Company incurred a net loss of $385,006 or $0.005 per common share for the three month period ended October 31, 2014.

Management and consulting fees totaled $153,950 during the three month period ended October 31, 2014, and primarily consisted of services provided by Foundation Opportunities Inc., for strategic advisory, Branson Corporate Services Ltd. ("**Branson**") for financial accounting, including CFO services and the President and CEO of the Company.

Professional fees, consisting of legal and audit fees, totaled $178,073 during the three month period ended October 31, 2014.

The Company incurred $47,799 in office and general expenses during the three month period ended October 31, 2014, which consisted primarily of travel and entertainment, printing and other miscellaneous costs.

The Company incurred share based payments for the three month period ended October 31, 2014, of $4,000. Share based payments are recorded based on the valuation of options using the Black-Scholes model.

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 October 31, 2014, the Company had current assets of $585,086, current liabilities of $250,158 and working capital of $334,928.

The following are the contractual maturities of financial liabilities at October 31, 2014:

	Total	Less Than 1 Year	1 to 2 Years	Greater than 2 Years
Accounts payable, accrued liabilities and unissued share capital	$250,158	$250,158	-	-
Operating leases	$12,000	$12,000	-	-

Related Party Transactions and Key Management Compensation

NHL and Foundation Opportunities Inc. ("**FOI**") entered into an advisory and consulting agreement on May 1, 2014. FOI 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 Offering, half of which is payable in Units. For the three month period ended October 31, 2014, NHL was charged $24,000 by FOI. At October 31, 2014, $Nil is included in accounts payable and accrued liabilities in relation to FOI.

For the period ended October 31, 2014, the Company incurred a finder's fee of $4,000 and issued 160,000 finder's warrants to Foundation Markets Inc., a Company with a related director. This was in connection with the October 8, 2014 closing of the 4,000,000 unit Private Placement.

NHL and Branson Corporate Services Ltd. ("**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, payable upon successful completion of the Offering. For the three month period ended October 31, 2014, the Company recorded $11,000 for management services provided by Branson. As at October 31, 2014, $Nil is included in accounts payable and accrued liabilities in relation to Branson.

During the three month period ended October 31, 2014, Fogler, Rubinoff LLP ("**Fogler**") a law firm in which an officer and director of the Company is also a partner, provided $132,944 of legal services, which are included in professional fees. As at October 31, 2014, $152,580 due to Fogler is included in accounts payable and accrued liabilities.

On May 1, 2014, NHL entered into a general consulting agreement with Statis Rizas, a significant, but not controlling, shareholder. Mr. Rizas provided $15,000 of consulting services during the three month period ended October 31, 2014. The agreement was terminated on October 31, 2014 and Mr. Rizas was paid a termination fee of $10,000. As at October 31, 2014, $1,950 is included in accounts payable and accrued liabilities for Mr. Rizas for the period ended October 31, 2014.

On October 31, 2014 the Company issued 800,000 shares and 800,000 warrants to Halki Holdings Inc., a company controlled by Mr. Rizas, valued at $40,000 and $2,691 respectively, in exchange for cancellation of debt in such amount owing to Mr. Rizas.

During the three month period ended October 31, 2014, $24,000 was paid to the Company's Chief Executive Officer. As at October 31, 2014, $23,110 is included in accounts payable and accrued liabilities.

The Company has also issued a Subordinate Convertible Debenture in the principal amount of $150,000 to a group of lenders comprised of Adam Szweras, Statis Rizas and David Posner, all of whom are directors of the Company.

Disclosure of outstanding share data as of December 23, 2014

	Authorized	Outstanding
Voting or Equity securities issued and outstanding	Unlimited Common Shares	79,480,269 Common Shares
Securities convertible or exercisable into voting or equity		a) Options to acquire up to 3,200,000 Common Shares (1); b) 11,933,368 Series I Warrants; c) 150,000 Series II Warrants; d) 3,566,638 Series III Warrants; e) Senior Convertible Debenture in the principal amount of $450,000, convertible into Common Shares at the Conversion Price, subject to Conversion Price Adjustment. If the Company completes the Offering on or before January 31, 2015, but less than $1,000,000 is raised, the Company shall also issue to the holder 450,000 Common Shares immediately prior to closing the Offering; f) Subordinate Convertible Debenture in the principal amount of $150,000, convertible into Common Shares at the Conversion Price, subject to Conversion Price Adjustment; and g) 320,000 Finder's Warrants

Note:

(1) Excludes an additional 3,550,000 stock options, which have been approved for issuance by the company's board to officers, directors and consultants, with an effective issue date of the date the Company closes its initial public offering.

Off-Balance Sheet Arrangements

As of October 31, 2014, the Company has no off balance sheet arrangements.

Critical Accounting Estimates

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 loan 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 October 31, 2014, 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 October 31, 2014, the Company had not classified any financial liabilities as FVTPL.

Cash

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

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 receivable. 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, loan and other receivable 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. As at October 31, 2014, the Company had a cash balance of $517,483 and current liabilities of $250,158.

Other Business Risks

See Risk Factors section of the preliminary prospectus filed on October 29, 2014.

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 three month period ended October 31, 2014 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 October 31, 2014 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 October 31, 2014 and the audited consolidated financial statements for the period ended July 31, 2014 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.

December 23, 2014

David Posner
Chief Executive Officer