

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered, sold or delivered in the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

January 29, 2015



Minimum Offering: 24,000,000 Units (\$1,200,000)
 Maximum Offering: Up to 50,000,000 Units (\$2,500,000)
 Price: \$0.05 per Unit

Nutritional High International Inc.

This prospectus (the "**Prospectus**") is being filed to qualify the initial public offering (the "**Offering**") of a minimum (the "**Minimum Offering**") of 24,000,000 Units ("**Units**") of Nutritional High International Inc. (the "**Company**") up to a maximum (the "**Maximum Offering**") of 50,000,000 Units to be issued at a price (the "**Offering Price**") of \$0.05 per Unit pursuant to an agency agreement (the "**Agency Agreement**") dated as of January 29, 2015 between the Company and Jacob Securities Inc. (the "**Agent**"). Each Unit will be comprised of one common share (each, a "**Common Share**") in the capital of the Company and one-half of one Common Share purchase warrant (each whole warrant, a "**Unit Warrant**"). Each Unit Warrant will entitle the holder thereof to purchase one Common Share in the capital of the Company (each, a "**Warrant Share**") at an exercise price of \$0.07 at any time on or before the date that is 24 months (the "**Expiry Date**") following the Closing Date (as defined herein). The Offering Price was determined by negotiation between the Agent and the Company. See "*Plan of Distribution*".

Offering Price: \$0.05 per Unit

	Price to Public		Agent's Commission ⁽¹⁾⁽²⁾		Net Proceeds to the Company ⁽³⁾	
	Minimum Offering ⁽⁴⁾	Maximum Offering	Minimum Offering ⁽⁴⁾	Maximum Offering	Minimum Offering ⁽⁴⁾	Maximum Offering
Per Unit:	\$0.05	\$0.05	\$0.004	\$0.004	\$0.046	\$0.046
Total ⁽⁵⁾⁽⁶⁾⁽⁷⁾ :	\$1,200,000	\$2,500,000	\$96,000	\$200,000	\$1,104,000	\$2,300,000

Notes:

(1) The Agent will receive a cash commission (the "**Agent's Commission**") equal to 8% of the gross proceeds of the Offering in the case of subscribers sourced by the Agent, and a cash commission equal to 4% of the gross proceeds of the Offering in the case of subscribers sourced by the Company, payable at closing. For the purpose of this table the Company assumed that a 8% commission will be paid on all sales. In addition to the Agent's Commission, the Agent will receive compensation options (the "**Compensation Options**") entitling the Agent to

purchase that number of Units (the "Agent's Units") equal to 8% of the number of Units issued under this prospectus pursuant to the Offering (including any Additional Units (as hereinafter defined) sold pursuant to the Over-Allotment Option (as defined herein)) in the case of subscribers sourced by the Agent, and 4% of the number of Units issued under this prospectus pursuant to the Offering (including any Additional Units sold pursuant to the Over-Allotment Option) in the case of subscribers sourced by the Company. Each Compensation Option will entitle the holder to purchase one Agent's Unit at the Offering Price at any time on or before the date that is 24 months following the Closing Date. This Prospectus qualifies the distribution of the Compensation Options, and the distribution of Units issued upon exercise of the Over-Allotment Option (as defined below). See "*Plan of Distribution*".

- (2) These figures do not include the Agent's expenses that the Company must also pay, including the reasonable fees and disbursements, plus applicable taxes, of the legal counsel to the Agent associated with the Offering. The figures also do not include a Corporate Finance Fee (as defined herein) of \$25,000 previously paid to the Agent. See "*Plan of Distribution*" and "*Use of Proceeds*".
- (3) This amount represents the net proceeds to the Company after deducting the Agent's Commission (assuming an 8% commission is paid on all sales) and before deducting the estimated expenses of the Offering of \$120,000 (in addition to approximately \$196,00 in offering costs, which have been accrued in the working capital estimate as of December 31, 2014), both of which will be paid out of the proceeds of the Offering.
- (4) The Offering will not be completed unless minimum gross proceeds of \$1,200,000 are raised. See "*Plan of Distribution*".
- (5) The Company has granted to the Agent an option (the "**Over-Allotment Option**") to purchase up to an additional 7,500,000 Units (the "**Additional Units**") at the Offering Price exercisable at the Agent's sole option and without obligation, in whole or in part, at any time up to 30 days after the closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Agent in respect of (i) Additional Units at the Offering Price; (ii) additional Unit Warrants (the "**Additional Warrants**") at a price of \$0.005 per Additional Warrant, or (iii) any combination of Additional Units and/or Additional Warrants, provided that the aggregate number of Additional Units and Additional Warrants does not exceed 15% of the number of Units issued under the Offering (excluding the Over-Allotment Option), subject to the approval of the Exchange. If the Over-Allotment Option is exercised in full, the "Price to Public", "Agent's Commission" and "Net Proceeds to the Company" (before deducting the estimated expenses of the Offering) will be \$2,875,000, \$230,000 and \$2,645,000, respectively. This Prospectus qualifies the distribution of the Over-Allotment Option and the distribution of any Additional Units pursuant to the exercise of the Over-Allotment Option. Unless the context otherwise requires, references herein to the "Offering" and "Units" also includes the Additional Units. A purchaser who acquires securities forming part of the Agent's over-allotment position acquires those securities under this Prospectus, regardless of whether such over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See "*Plan of Distribution*".
- (6) Assuming no exercise of the Over-Allotment Option.
- (7) These figures do not include the JSI Success Fee (as hereinafter defined) issuable and payable on closing of the Licensing Transaction pursuant to the JSI Advisory Agreement. See "*Consolidated Capitalization*" and "*Plan of Distribution*".

Agent's Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option:	7,500,000 Additional Units	Up to 30 days following the closing of the Offering	\$0.05 per Additional Unit
Compensation Options	4,600,000 Agent's Units ⁽¹⁾	Until the date that is 24 months following the Closing Date (as defined herein)	\$0.05 per Agent's Unit

Total securities issuable to the Agent⁽²⁾ : 12,100,000 Units

Notes:

- (1) Assuming exercise of the Over-Allotment Option in full.
- (2) These figures do not include the JSI Success Fee (as hereinafter defined) issuable and payable on closing of the Licensing Transaction pursuant to the JSI Advisory Agreement. See "*Consolidated Capitalization*" and "*Plan of Distribution*".

The completion of the Offering is subject to the Minimum Offering. If subscriptions are not received aggregating the Minimum Offering, the Offering will not be completed. Subscription proceeds will be received by the Agent, or by any other securities dealer authorized by the Agent, and will be held by the Agent in trust until the initial closing of the Offering. See "*Plan of Distribution*".

The Agent, as lead agent of the Company for the purposes of the Offering, conditionally offers the Units for sale on a best efforts basis and subject to prior sale, if, as and when issued by the Company, in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters on behalf of the Company and the Agent by Fogler, Rubinoff LLP.

Subject to applicable laws and in connection with the Offering, the Agent may effect transactions intended to stabilize or maintain the market price of the Common Shares and/or Unit Warrants at levels other than those which might otherwise prevail in the open market. Such transactions if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right to close the subscription books at any time without notice. The Offering will be discontinued and all subscription funds received by the Agent in connection with the Offering will be returned to subscribers without interest, set-off or deductions in

the event that completion of the Offering has not occurred on or prior to the date that is 90 days from the issuance of a receipt for the final Prospectus relating to this Offering (being April 29, 2015) or, if a receipt has been issued for an amendment to the final Prospectus, within 90 days of the issuance of such receipt. See "*Plan of Distribution*".

Except as otherwise required by law or in accordance with certain regulatory requirements, other than Units sold in the United States of America or any territory or possession thereof (the "**United States**") or to a U.S. Person (as such term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act), which will be represented by individual certificates, it is anticipated that the Common Shares and Unit Warrants acquired hereunder will be issued under the book-based system. At the closing of the Offering, certificates representing all of the Common Shares and Unit Warrants will be issued in registered form to the applicable participants (the "**CDS Participants**") in the Canadian Depository for Securities Limited ("**CDS**") depository service, which includes securities brokers and dealers, banks, and trust companies. It is anticipated that such CDS Participants will deposit such certificates with CDS in connection with the book-based system and a global certificate representing the Common Shares and the Unit Warrants, as applicable, will be issued in the name of CDS or its nominee held through the book-based system. A holder of a Common Share or a Unit Warrant participating in the book-based system will not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Common Shares or Unit Warrants, as applicable, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. However, a holder of Common Shares or Unit Warrants participating in the book-based system may, through the applicable CDS Participant, request that such Common Shares or Unit Warrants, as applicable, no longer be held through the book-based system, in which case a certificate representing such Common Shares or Unit Warrants will be issued to such holder as soon as reasonably practicable.

The Company was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on July 19, 2004 as "Sonoma Capital Inc." The Company filed a final prospectus on January 31, 2007, in Quebec only and is therefore a reporting issuer in Quebec. The Company did not raise any proceeds relating to this prospectus offering and all deferred share issuance fees relating to that offering were expensed.

There is currently no market through which any of the securities of the Company may be sold and purchasers and holders thereof may not be able to resell any of the securities purchased under this Prospectus. The Common Shares and Unit Warrants are not currently listed on any exchange or quoted on any quotation system and there is no assurance that the Company will be able to list its securities for trading on any exchange. The Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Company fulfilling all of the requirements of the Exchange.

An investment in the Company's securities should be considered highly speculative. The Company operates in certain jurisdictions in the United States that regulate the industry (notwithstanding that it is currently illegal under U.S. Federal law), in which the Company operates differently than it is regulated in Canada. There are significant risks associated with an investment in Units. There is no guarantee that an investment in the Company will earn any positive return in the short or long term. An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in the Units. In reviewing this Prospectus, an investor should carefully consider the matters described under the heading "*Risk Factors*".

Investors should rely only on the information contained in this Prospectus. The Company has not authorized anyone to provide investors with different information. The Company is not offering the Units in any jurisdiction in which the Offering is not permitted.

Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of this investment based upon their own personal circumstances.

The Company's head and registered office is located at 77 King Street West, Suite 2905, Toronto-Dominion Centre Toronto, ON M5K 1H1.

The Company operates in the Medical Marijuana and Retail Marijuana industries in the United States and is exploring opportunities in the Medical Marijuana industry in Canada. Certain U.S. States have recently legalized Medical Marijuana. Two U.S. States have further legalized the recreational use of marijuana. Canada has legalized Medical Marijuana, but has not legalized the recreational use of marijuana, and marijuana remains illegal under U.S. Federal Law. The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the marijuana industry in the United States and Canada.

This Prospectus qualifies the distribution of securities of an entity that indirectly derives a substantial portion of its revenues by leasing real estate, selling packaging, recipes and other inputs to the recreational marijuana industry in certain U.S. States, which industry is not currently legal in Canada.

Marijuana-Infused Products (such as food items infused with marijuana) are currently not legal for sale in Canada (only the sale of dried marijuana plants for medical use are legal in Canada). The Company's Marijuana-Infused Products segment is solely focused on the U.S. States where Marijuana-Infused Products are permitted by state law and regulation. Under the Controlled Substance Act (the "CSA"), the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until the United States Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law in the United States.

There are a number of risks associated with the business of the Company. See section entitled "Risk Factors" including "*- 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 Company may become subject to additional government regulation and legal uncertainties that could restrict the demand for its services or increase its cost of doing business, thereby adversely affecting its financial results*", "*- Regulatory Risks and Permits*", "*- U.S. Federal Laws*" and "*- Enforcement Risks*."

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. 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. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Prospectus. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to obtain necessary financing, satisfy the requirements of the Exchange with respect to the listing and, the economy generally; consumer interest in the services and products of the Company, competition, and anticipated and unanticipated costs. Such statements could also be materially affected by the impact of regulation of the business, enforcement policies, taxation policies, competition, lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this Prospectus. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted in this Prospectus under "*Risk Factors*". The Company undertakes no obligation, and does not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events.

MARKETING MATERIALS

The following "marketing materials" (as such term is defined in NI 41-101) filed with the securities commission or similar authority in the provinces of Ontario, British Columbia and Alberta are incorporated by reference into this prospectus:

- "template version" (as such term is defined in NI 41-101) of the roadshow presentation dated November 11, 2014 as revised on January 28, 2015. The revised template version was modified to include amendments to the following facts: NHC completed the acquisition of the Pueblo Location on November 17, 2014 pursuant to the Pueblo PSA, issued the Senior Convertible Debenture and Subordinated Convertible Debenture, and that the Company has issued 3,566,638 Series III Warrants, issued on exercise of Series I Warrants pursuant to the Early Exercise Provisions. In addition statements were modified with respect to the definitive Offering Price and the size of the Offering; and
- template version of an indicative term sheet dated November 11, 2014, as revised on January 28, 2015. The revised template version was modified to include amendments to the following facts: NHC completed the acquisition of the Pueblo Location on November 17, 2014 pursuant to the Pueblo PSA, issued the Senior Convertible Debenture and Subordinated Convertible Debenture, and that the Company has issued 3,566,638 Series III Warrants, issued on exercise of Series I Warrants pursuant to the Early Exercise Provisions. In addition statements were modified with respect to the definitive Offering Price and the size of the Offering.

We have filed a revised template version of the roadshow presentation, which has been blacklined to reflect the modified statements. The foregoing summary of modifications to the roadshow presentation is not exhaustive and is qualified by the information contained in the revised template version of the roadshow presentation and the blacklined version of the roadshow presentation which has been filed with the securities commission or similar authority in the provinces of Ontario, British Columbia and Alberta and can be viewed under our profile on the SEDAR website at

www.sedar.com. The disclosure contained in this prospectus does not modify the revised template version of the road show presentation filed on January 29, 2015.

We have filed a revised template version of the indicative term sheet, which has been blacklined to reflect the modified statements. The foregoing summary of modifications to the indicative term sheet is not exhaustive and is qualified by the information contained in the revised template version of the indicative term sheet and the blacklined version of the indicative term sheet which has been filed with the securities commission or similar authority in the provinces of Ontario, British Columbia and Alberta and can be viewed under our profile on the SEDAR website at www.sedar.com. The disclosure contained in this prospectus does not modify the revised template version of the term sheet filed on January 29, 2014.

Any template version of any marketing materials that are utilized by the Agent in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus. In addition, any template version of any marketing materials filed under the Company's profile on the SEDAR website at www.sedar.com after the date hereof but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this prospectus

EXPLANATORY INFORMATION

In this Prospectus, unless otherwise specified, the term "the Company" refers to Nutritional High International Inc., a company incorporated in Canada under the CBCA and include the businesses conducted through its subsidiaries.

CURRENCY EXCHANGE RATES

All references to "\$" or "dollars" in this Prospectus refer to Canadian dollars unless otherwise indicated. The following table sets out the exchange rates for Canadian dollars per U.S. dollar in effect at the end of the following periods based on the Bank of Canada noon spot rate of exchange.

U.S. Dollar	Period Ended	Year Ended July 31		
	October 31, 2014	2014	2013	2012
Closing	1.1275	1.0904	1.0287	1.0014
High	1.1289	1.1251	1.0576	1.0604
Low	1.0857	1.0237	0.9710	0.9580
Average	1.1233	1.0733	1.0070	1.0084

On January 27, 2015, the noon spot rate for U.S. dollars reported by the Bank of Canada was U.S. \$1.00 = \$1.2404.

GLOSSARY OF TERMS

"**Acquisition**" means the acquisition by the Company of all of the outstanding NHL Shares and NHL Warrants from the Vendors in exchange for Common Shares and Series I Warrants on a one-for-one basis pursuant to the terms of the Securities Exchange Agreement;

"**Additional Units**" has the meaning ascribed thereto on the face page of this Prospectus;

"**Additional Warrants**" has the meaning ascribed thereto on the face page of this Prospectus;

"**Advisory Agreement with FMI**" means the advisory agreement between the Company and FMI dated May 1, 2014, as amended on October 27, 2014, pursuant to which the Company retained FMI as its consultant in connection with evaluating a broad range of strategic opportunities for the Company and to maximize shareholder value;

"**Advisory Board**" means the advisory board organized by the Company to provide expertise and advice to the senior management team regarding operations matters relating to the execution of the Company's business plan;

"**Agent**" means Jacob Securities Inc.;

"**Agency Agreement**" means the agreement dated January 29, 2015 between the Company and the Agent;

"**Agent's Commission**" means the cash commission of 8% of the aggregate gross proceeds from the sale of the Units pursuant to the Offering in the case of subscribers sourced by the Agent and 4% of the aggregate gross proceeds from the sale of the Units pursuant to the Offering in the case of subscribers sourced by the Company to be paid to the Agent by the Company on the Closing Date;

"**Agent's Units**" means the Units issuable to the Agent at a price of \$0.05 per Agent's Unit upon the exercise of the Compensation Options;

"**Board**" means board of directors of the Company;

"**Branson**" means Branson Corporate Solutions Ltd.;

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**CDS**" means Canadian Depository for Securities Ltd.;

"**CDSA**" means the *Controlled Drugs and Substances Act* (Canada);

"**CDS Participant**" has the meaning ascribed thereto on the face page of this Prospectus;

"**CSA**" means the *United States Federal Controlled Drugs and Substances Act*;

"**Clinic Business**" means the Company's business focused on providing medical and educational consulting services to users of Medical Marijuana in Canada, through EMAL;

"**Closing Date**" means such date as the Agent and the Company shall mutually agree to close the Offering;

"**Cole Memo**" means the memorandum dated August 29, 2013 addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States;

"**Common Shares**" means common shares in the capital of the Company;

"**Company**" means Nutritional High International Inc. (formerly known as "Sonoma Capital Inc."), a company organized under the CBCA;

"**Company Options**" means the stock options of the Company issued pursuant to the Stock Option Plan;

"Compensation Options" means the compensation options entitling the Agent to purchase such number of Agent's Units that is equal to 8% of the number of Units sold under the Offering (including any Additional Units issued pursuant to the Over-Allotment Option) in the case of subscribers sourced by the Agent and 4% of the number of Units sold under the Offering (including any Additional Units issued pursuant to the Over-Allotment Option) in the case subscribers sourced by the Company, each exercisable for a period of 24 months from the date of issuance at a price per Agent's Unit equal to the Offering Price;

"Consideration" has the meaning ascribed thereto in *"The Business" – "Significant Events, Milestones and Business Objectives" – "Pueblo Location"*;

"Conversion Price" has the meaning ascribed thereto in *"The Business" – "Significant Events, Milestones and Business Objectives" – "Pueblo Location"*;

"Conversion Price Adjustment" has the meaning ascribed thereto in *"The Business" – "Significant Events, Milestones and Business Objectives" – "Pueblo Location"*;

"Corporate Finance Fee" means a corporate finance fee in the amount of \$25,000 paid to the Agent;

"Cromnibus Bill" means *Consolidated and Further Continuing Appropriations Act, 2015*;

"CST" means CST Trust Company, the Company's transfer agent;

"CUMCPPA" means Compassionate Use of Medical Cannabis Pilot Program Act (*Illinois*);

"Deadline" has the meaning ascribed thereto in *"The Business" – "Significant Events, Milestones and Business Objectives" – "Pueblo Location"*;

"Deadline Extension" has the meaning ascribed thereto in *"The Business" – "Significant Events, Milestones and Business Objectives" – "Pueblo Location"*;

"Development Plan" means a capital expenditure program relating to the facility under application that needs to be expended to place such facility into commercial production under MMPR, immediately after receiving a Ready To Build Letter from Health Canada;

"Dispensary License" means a license issued by the Illinois Department of Finance and Professional Regulation for a business registered to acquire medical cannabis from a registered cultivation center for the purpose of dispensing cannabis, paraphernalia, or related supplies and educational materials to registered qualifying patients;

"Early Exercise Provision" means the amendment to the Series I Warrants to provide for the following: (i) if a holder of a Series I Warrant elects to exercise such Series I Warrant prior to October 31, 2014, in addition to receiving a Common Share, it will receive an additional Series III Warrant exercisable into a Common Share at a price of \$0.10 per Common Share at any time prior to October 31, 2016, and (ii) the terms of any unexercised Series I Warrants outstanding after October 31, 2014 will remain unchanged;

"Educational Web Site" means an online educational portal open for free to the general public providing comprehensive information regarding the health benefits of Medical Marijuana;

"EMAL" means Eglinton Medicinal Advisory Ltd., a 51% owned subsidiary of the Company, a company organized under the laws of Ontario;

"EMAL Clinic" means the clinic and education centre operated by EMAL;

"EMAL Partner" means 2358103 Ontario Ltd., a private Ontario corporation that owns 49% of EMAL;

"Exchange" means the Canadian Securities Exchange;

"Expiry Date" means the expiry date of the Unit Warrants, being 24 months from the Closing Date;

"**FDA**" means the *Food and Drugs Act* (Canada);

"**FFHC**" means Foundation Financial Holdings Corp.,

"**FinCEN**" means the Financial Crimes Enforcement Network, a bureau of the United States Department of the Treasury, that collects and analyzes information about financial transactions in order to combat domestic and international money laundering, terrorist financing and other financial crimes;

"**Finder's Warrants**" means 320,000 finder's warrants issued in connection with the Private Placement, each exercisable for a period of 18 months at a price of \$0.025 into one Common Share and one-half of one Series I Warrant;

"**FMI**" means FMI Capital Advisory Inc. (formerly known as Foundation Opportunities Inc.), a subsidiary of FFHC;

"**Haldimand Option**" means an option agreement to acquire a 50% interest in a company that has the right to lease a 30,000 square foot greenhouse facility located in Haldimand County, Ontario and which has applied for a producer license under the MMPR;

"**Health Canada**" means the department of the government of Canada with responsibility for national public health;

"**JSI Advisory Agreement**" means the agreement dated December 16, 2014 between the Company and the Agent, pursuant to which the Company has retained the Agent to provide financial advisory services in relation to the potential Licensing Transaction;

"**JSI Success Fee**" means the success fee payable to the Agent in accordance with the terms of the JSI Advisory Agreement. See "*Consolidated Capitalization*" and "*Plan of Distribution*";

"**Lawrenceville Property**" means a commercial property located near Lawrenceville, Illinois, which the Company intends to acquire pursuant to the Lawrenceville PSA;

"**Lawrenceville PSA**" means a contract to buy and sell commercial real estate dated August 24, 2014, and amended on September 3, 2014 between NHCI and the vendor of the Lawrenceville Property, with closing contingent on State of Illinois granting a Dispensary License to NHCI at the Lawrenceville Property;

"**Lease Agreement (Cultivation)**" means the lease agreement dated July 23, 2014, between NHC and Palo Verde in respect of the lease of an aggregate of 15,000 square feet on the Pueblo Location;

"**Lease Agreement (MIP)**" means the lease agreement dated July 23, 2014 between NHC and Palo Verde in respect of the lease of 11,000 square feet on the Pueblo Location;

"**License**" means a license obtained by operators, from applicable U.S. State or Canadian regulatory authorities to sell or manufacture marijuana, or Marijuana-Infused Products. See "*The Business - Marijuana-Infused Products Segment – Regulatory Regimes*";

"**Licensed Operators**" means a business or an individual which holds a valid License under applicable regulation in the respective U.S. State;

"**Licensing Transaction**" means a potential brand licensing transaction contemplated between the Company and a third party. For greater certainty, the Licensing Transaction does not include any brand licensing transactions to be agreed upon by the Company and Palo Verde. See "*Consolidated Capitalization*";

"**Licensing Transaction Escrow**" means the terms of escrow provided in the JSI Advisory Agreement. See "*Consolidated Capitalization*";

"**Listing**" means listing of Common Shares for trading on the Exchange;

"**marijuana**" means all parts of the plant of the genus cannabis, the seeds thereof, the resin extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or its

resin. "Marijuana" does not include industrial hemp, nor does it include fiber produced from stalks, oil, or cake made from the seeds of the plant, sterilized seed of the plant which is incapable of germination, or the weight of any other ingredient combined with marijuana to prepare topical or oral administrations, food, drink, or other product;

"**Marijuana Concentrate**" means a specific subset of marijuana that is produced by extracting cannabinoids from marijuana by a method including, but not limited to use of solvent, water, ice, dry ice or propylene glycol, glycerin, butter, olive oil or other typical cooking fats;

"**Marijuana-Infused Products**" means products infused with marijuana for medical or recreational adult use in jurisdictions where permitted by the applicable regulatory authorities that are intended for use or consumption other than by smoking, including but not limited to edible products, topical, dietary supplements, tinctures, sauces, vaporizer pen cartridges, drink additives, baking items and sweeteners;

"**Marijuana-Infused Product Segment**" means the Company's business segment focused on developing and acquiring products (including formulae and recipes), and brands for its Marijuana-Infused Products lines, and licensing them to Royalty Producers;

"**Maturity Date**" means November 17, 2016, the date on which the Senior Convertible Debenture and the Subordinated Convertible Debenture mature;

"**Maximum Offering**" has the meaning ascribed thereto on the face page of this Prospectus;

"**MED**" means Marijuana Enforcement Division, Colorado Department of Revenue, a state government agency of the State of Colorado tasked with licensing and regulating marijuana industries in the State of Colorado;

"**Medical Advisory and Retail Segment**" means the Company's business segment focused on serving the end users of Medical Marijuana in the United States and Canada, currently comprised of the Clinic Business and the Retail Business;

"**Medical Code**" means the Colorado Medical Marijuana Code found at sections 12-43.3-101 *et. seq.*, C.R.S.;

"**Medical License**" means a License issued by the MED pursuant to the Medical Code;

"**Medical Marijuana**" means marijuana that is grown and sold pursuant to applicable laws and regulations for medical purposes (as opposed to recreational purposes);

"**Medical Marijuana-Infused Product**" means a product infused with Medical Marijuana that is intended for use or consumption other than by smoking, including but not limited to edible products, ointments, and tinctures;

"**Minimum Offering**" has the meaning ascribed thereto on the face page of this Prospectus;

"**MMIP License**" means a class of Medical License in the State of Colorado for manufacturing of Medical Marijuana-Infused Products;

"**MMC License**" means a Medical Marijuana centre license, a class of Medical License in the State of Colorado for the operation of a dispensary from which Medical Marijuana registry patients may purchase Medical Marijuana and Medical Marijuana-Infused Products;

"**MMOPC License**" means a class of Medical License for growing, harvesting and processing raw marijuana product in the State of Colorado for sale to Licensed Operators holding a MMIP License or MMC License;

"**MMPR**" means *Marihuana for Medical Purposes Regulations* under the *Controlled Drugs and Substances Act* (Canada), as amended from time to time, or any applicable laws or regulations that may replace or supersede it;

"**MMPR License**" means a license received from Health Canada upon an applicant completing all of the requirements under the MMPR to the satisfaction of Health Canada;

"**NHC**" means NHC Edibles, LLC, a wholly-owned subsidiary of NHCI, organized under the laws of the State of Colorado;

"**NHCI**" means Nutritional High (Colorado), Inc., a wholly-owned subsidiary of NHL, organized under the laws of the State of Colorado;

"**NHL**" means Nutritional High Ltd., a wholly-owned subsidiary of the Company, organized under the laws of Ontario;

"**NHL Shares**" means common shares in the capital of NHL;

"**NHL Warrants**" means NHL Share purchase warrants, each exercisable into a NHL Share at a price of \$0.05 per NHL Share;

"**NHMDI**" means NH Medicinal Dispensaries Inc., 98% owned subsidiary of NHL, organized under the laws of the State of Illinois;

"**NHMI**" means NH Medicinals (Minnesota) Inc., a wholly-owned subsidiary of the Company, organized under the laws of the State of Minnesota;

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**Northumberland Option**" means an option agreement to acquire 100% interest in a company that has a right to lease a 75,000 square foot facility located in Northumberland County, Ontario and which has applied for a producer license under the MMPR;

"**OHIP**" means Ontario Health Insurance Plan, government-run health insurance plan for residents of the Province of Ontario;

"**Offering**" means the distribution by the Company of a minimum of 24,000,000 Units and a maximum of 50,000,000 Units at the Offering Price by way of this Prospectus for minimum gross proceeds of \$1,200,000 and maximum gross proceeds of \$2,500,000, without giving effect to the Over-Allotment Option;

"**Offering Jurisdictions**" means the Provinces of Ontario, British Columbia and Alberta;

"**Offering Price**" means \$0.05 per Unit;

"**Over-Allotment Option**" has the meaning ascribed thereto on the face page of this Prospectus;

"**Palo Verde**" means Palo Verde LLC, a private limited liability company organized under the laws of the State of Colorado, which has received a RMIP License and a RMC License, and has entered into a number of commercial agreements with the Company. See "*The Business - Marijuana-Infused Product Segment - Significant Events, Milestones and Business Objectives – Palo Verde*".

"**Posner Agreement**" means the consulting agreement dated May 1, 2014 between NHL and David Posner;

"**Private Placement**" means 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 and was completed on October 8, 2014;

"**Prospectus**" means this long form prospectus and any appendices, schedules or attachments hereto;

"**Pueblo Location**" means a commercial property located near Pueblo, Colorado, which the Company acquired pursuant to the Pueblo PSA;

"**Pueblo PSA**" means the contract to buy and sell commercial real estate dated June 6, 2014, and amended on June 9, 2014 between NHCI and the vendor of the Pueblo Location;

"Ready To Build Letter" means a notice issued by Health Canada once an application is deemed satisfactory, informing the applicant that, if the Development Plan is executed as proposed, the security measures at the facility under application would meet the requirements of the MMPR to become a licensed producer;

"Regulation D" means Regulation D under the U.S. Securities Act;

"Regulation S" means Regulation S under the U.S. Securities Act;

"Regulatory Escrow Agreement" means an escrow agreement between certain holders of Common Shares, the Company and CST in the form set out in National Policy 46-201 – *Escrow for Initial Public Offerings* to be released in stages over a 36 month period from the completion of the Listing;

"Residency Requirement" means a requirement imposed by the regulatory authorities of the respective U.S. State, requiring Licensed Operators (or their shareholders) to be residents of that U.S. State;

"Retail Business" means the Company's business focused on franchising retail Medical Marijuana dispensaries in the jurisdictions in the United States without Residency Requirements;

"Retail Code" means the Colorado Retail Marijuana Code found at sections 12-43.4-101 *et. seq.*, C.R.S.;

"Retail License" means a License issued by the MED pursuant to the Retail Code;

"Retail Marijuana" means marijuana that is cultivated, manufactured, distributed, or sold by a licenced Retail Marijuana cultivation facility or a Retail Marijuana products manufacturing facility. "Retail Marijuana" does not include industrial hemp, nor does it include fiber produced from stalks, oil, or cake made from the seeds of the plant, sterilized seed of the plant which is incapable of germination, or the weight of any other ingredient combined with marijuana to prepare topical or oral administrations, food, drink, or other product;

"Retail Marijuana-Infused Product" means products that are comprised of Retail Marijuana and other ingredients and are intended for use or consumption, such as, but not limited to, edible products, ointments, and tinctures;

"RMIP License" means Retail Marijuana-Infused Product manufacturing License, a class of Retail License used exclusively for the manufacture and preparation of Retail Marijuana-Infused Products and concentrates;

"RMC License" means Retail Marijuana cultivation License, a class of Retail License used for cultivation, preparation and packaging Retail Marijuana, and selling Retail Marijuana to certain licenced Retail Marijuana establishments, but not to consumers;

"RMS License" means Retail Marijuana store License, a class of Retail License for operating a facility from which any individual twenty-one years of age or older may purchase up to one ounce of marijuana for Colorado residents and 1/4 ounce of marijuana for non-residents;

"RMT License" means a Retail Marijuana testing facility License, a class of Retail License for operating a private or public laboratory licensed and certified, or approved by the MED, to conduct research and analyze Retail Marijuana for contaminants and potency;

"Royalty Producers" means Licensed Operators that have entered into royalty agreements with the Company in respect to the Company's brands, recipes and know-how;

"Securities Exchange Agreement" means the securities exchange agreement dated June 20, 2014 between the Company, NHL and the Vendors, pursuant to which the Company consummated the Acquisition;

"Selling Firms" means licensed dealers, brokers and investment dealers retained by the Agent as sub-agents to assist in the placement of subscriptions for Units under the Offering and as retained by the Agent to assist in the placement of the Units;

"Senior Convertible Debenture" means the senior secured convertible debenture in the aggregate principal amount of \$450,000 issued in connection with the purchase of the Pueblo Location, as amended effective January 19, 2015;

"Series I Warrants" means Common Share purchase warrants issued pursuant to the Acquisition and the Private Placement, each exercisable into one Common Share at a price of \$0.05 per Common Share at any time during the 18 months following the issuance thereof, subject to the Early Exercise Provisions;

"Series II Warrants" means Common Share purchase warrants issued pursuant to the Northumberland Option, each exercisable into one Common Share at a price of \$0.10 per Common Share at any time prior to June 26, 2016;

"Series III Warrants" means Common Share purchase warrants issued pursuant to the Early Exercise Provisions, each exercisable into one Common Share at a price of \$0.10 per Common Share at any time prior to October 31, 2016;

"Stock Option Plan" means the stock option plan of the Company;

"Subordinated Convertible Debenture" means the subordinated secured convertible debenture in the aggregate principal amount of \$150,000 issued in connection with the acquisition of the Pueblo Location;

"Subscription Site" means a subscription only version of the Educational Web Site;

"THC" means tetrahydrocannabinol, the principal psychoactive constituent of the cannabis plant;

"Units" means the Units offered pursuant to the Offering, each Unit consisting of one Common Share and one-half of one Unit Warrant;

"Unit Warrant" means the Common Share purchase warrants comprising the Units, each whole Unit Warrant entitling the holder thereof to acquire one additional Common Share at the Warrant Exercise Price at any time prior to the Expiry Date;

"U.S. Person" has the meaning ascribed thereto under Rule 902(k) of Regulation S;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended;

"U.S. State" means one of the 50 constituent political entities of United States of America that shares its sovereignty with the United States federal government;

"Vendors" means collectively, the former holders of NHL Shares and NHL Warrants who exchanged such securities for Common Shares and Series I Warrants, respectively, pursuant to the terms of the Securities Exchange Agreement;

"Warrant Agent" means CST at its principal office in Toronto, Ontario;

"Warrant Indenture" means the warrant indenture to be entered into between the Company and the Warrant Agent;

"Warrant Shares" means the Common Shares issuable pursuant to the Unit Warrants; and

"Warrant Exercise Price" means \$0.07 per Warrant Share.

SUMMARY

This summary highlights selected information contained elsewhere in this Prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Prospectus. It does not contain all of the information that may be important to you and your investment decision. You should carefully read this entire Prospectus, including the matters set forth under "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes.

The Company

The Company was incorporated under the CBCA on July 19, 2004 as "Sonoma Capital Inc." The Company filed a final prospectus on January 31, 2007 in Quebec only, and is therefore a reporting issuer in Quebec. The Company did not raise any proceeds relating to that prospectus offering and all deferred share issuance fees relating to such offering were expensed. On June 27, 2014, the Company completed the Acquisition and changed its name to "Nutritional High International Inc."

The Business

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. The Company entered into the Securities Exchange Agreement on June 20, 2014 with NHL and the Vendors and closed the Acquisition on June 27, 2014. After completing the Acquisition, the Company has continued NHL's efforts to develop its business in the marijuana business sector. Further details are provided under the heading "*The Business*".

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. Certain 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. However, under the CSA the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until the United States Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law in the United States.

U.S. States with Residency Requirements

In the U.S. States with Residency Requirements, the Company will work with companies or other entities that have a valid License issued by the applicable U.S. State authorities to provide an array of services as a part of its "franchise-like" model, or will work with eligible persons applying for such Licence. The Company has developed a business model where it is undertaking a combination of the following functions with the expectation of realizing the following respective revenue streams from such activities.

Activities	Expected Revenue Streams
Acquire and develop recipes, know-how and other intellectual property for the preparation of Marijuana-Infused Products and Marijuana Concentrates, for use by Royalty Producers entering into royalty agreements with the Company.	Royalty fees
Develop recognizable brands for Marijuana-Infused Products and Marijuana Concentrates for use by Royalty Producers entering into royalty agreements with the Company for their use.	Royalty fees
Provide consulting services with respect to extraction processes, techniques, training and know-how relating to Marijuana Concentrates.	Consulting fees Royalty fees
Acquire real estate for lease to Licensed Operators.	Leasing fees, Rent
Provide financing and equipment leasing to Licensed Operators and prospective Licensed Operators.	Interest income Loan fees (renewal, origination, etc.) Leasing Fees
Provide financial and strategic support to Licensed Operators in securing supply of Marijuana.	Miscellaneous consulting fees

While the Company's core strength is development of edible Marijuana-Infused Products and it is developing expertise in Marijuana Concentrate extraction techniques, it approaches each jurisdiction with a tailored strategy in order to comply with the regulatory framework (including engaging local counsel), while emphasizing its core competencies in the market for Marijuana-Infused Products. As such, the Company may focus on different parts of the industry value chain, or focus on acquiring assets in the industries, not directly related to Marijuana-Infused Products or Marijuana Concentrate extraction in order to ensure such compliance (e.g., acquisition of real estate, unsecured lending and consulting).

U.S. States without Residency Requirements

The Company is also considering seeking licensing to manufacture and distribute edible Marijuana-Infused Products and Marijuana Concentrates in certain U.S. States where such U.S. States will provide a License without Residency Requirements or with Residency Requirements that the Company is able to comply with.

Products and Services and Intangible Properties

Initially, the Company plans to focus primarily on developing retail product lines in Colorado for the recreational market and once the recreational products have been developed, they will be modified for the purpose of marketing to the medical markets. In the U.S. States other than Colorado that do not permit the use of recreational marijuana, it is expected that the Company will focus primarily on developing edible Marijuana-Infused Products primarily for the medicinal markets for use by Royalty Producers entering into royalty agreements with the Company.

At this time, the Company is focused on developing its products using recipes it has acquired; however, in the future it may consider subcontracting such development, or acquiring additional product lines/brands from other companies if it is deemed synergistic with its current operations.

The Company believes branding will be important and is focusing on developing brands that it believes will resonate with consumers. The Company is now in its development stage of branding and product packaging. The Company has submitted trademark applications in the United States and Canada on three initial brand names it intends to utilize, being Breaking Bud, Heisenberg Blue and Gootch.

Significant Events, Milestones and Business Objectives

The Company has achieved a number of milestones in its efforts to develop its recipes, brands and know-how for use by Licensed Operators and in jurisdictions without Residency Requirements, for use by the Company and its subsidiaries. In Colorado, due to Residency Requirements, the Company's operations in the Marijuana-Infused Products Segment are dependent on its agreements with Licensed Operators.

Pueblo Location

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.

Palo Verde

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

- 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 interest 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 square feet 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 square feet currently occupied by it commences on January 1, 2015 subject to a nine month deferral period. The rent payable on the 10,000 square feet 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 interest 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 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 revolving loan agreement provides that the Company is not under an obligation to advance funds to Palo Verde upon provision of notice to that effect. The loan commenced on July 23, 2014 and is effective for a period of 12 months 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 a 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 into such agreement in the first quarter of 2015. Once executed, the branding royalty agreement will be considered a material contract of the Company and will be filed on SEDAR.

In the next 12 months, the Company expects Palo Verde to commence production of its edible Marijuana-Infused Products using the Company's recipes and other know-how, for distribution under the Company's brands, and to assist Palo Verde in its efforts to produce and sell Marijuana Concentrate using the Company's know-how and brands.

Palo Verde is not a related party to the Company or any of its officers or directors and does not hold any ownership interest in the Company. However, an officer of Palo Verde, who is not a director or an officer of the Company, owns 400,000 Common Shares of the Company. The officer of Palo Verde has provided ad-hoc consulting services to the Company from time to time, and the Board of the Company has approved a grant of 325,000 Company Options to the officer with an effective issue date of the date the Company closes the Offering. The exercise price of such Company Options will be equal to the exercise price of the Unit Warrants that will be issued as a part of the Offering.

Medical Advisory and Retail Segment

Summary

The Company's Medical Advisory and Retail Segment is 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. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – MMPR Options.*"

Lawrenceville Property Acquisition and Dispensary License Application

NHCI entered into an agreement to purchase the Lawrenceville Property. The total purchase price for the Lawrenceville Property is US\$350,000 and closing is conditional on the receipt of environmental documentation if available by the seller, NHCI applying for a Dispensary License by September 15, 2014 (completed) and successfully obtaining a Dispensary License. The Company has paid US\$5,000 in refundable funds as a deposit on the property and is currently conducting due diligence to finalize the acquisition.

NHCI submitted an application for the Dispensary License. There is no assurance that the Company will complete the acquisition of the Lawrenceville Property or obtain a Dispensary License, or that the Company will be able to finance such acquisition or investment. Additional funds may be required to enable the Company to complete such acquisition and pursue such an initiative and the Company may be unable to obtain such funding on acceptable terms or at all.

EMAL Clinic Business Model

The Company, through EMAL, is developing the Clinic Business to provide medical and medical advisory services to other medical practitioners as well as potential and current Medical Marijuana patients. In this regard, the Clinic Business will focus on providing support and educational services to family doctors and patients at the EMAL Clinics, with a focus on supporting patients in conjunction with their family doctor. EMAL Clinics will be staffed by doctors who will work with the patients and may be supported by nurse practitioners. In some cases, EMAL Clinic staff will act as a primary caregiver to the patients, the relationship with the patients is intended to focus on

education of the benefits of Medical Marijuana given the patients' condition, rather than provide medical diagnostics of the patients' specific condition. In this regard, it is anticipated that in most cases, the EMAL Clinics will provide support and advice to patients (who have received a Medical Marijuana prescription from their family doctors or other specialists) in how to administer Medical Marijuana, frequency, dosage, and other related advice. EMAL will charge the patients advisory fees for providing the educational services. Assessment fees received by EMAL from OHIP will be paid to EMAL's medical staff, and any additional educational and advisory fees will be retained by EMAL. The Company is evaluating a potential revenue model around the Subscription Site.

EMAL Partner is not a related party to the Company or any of its officers or directors.

The Offering

<i>Offering Price:</i>	\$0.05 per Unit
<i>Offering:</i>	The Offering of a minimum of 24,000,000 and a maximum of 50,000,000 Units to purchasers residing in the Offering Jurisdictions for minimum gross proceeds of \$1,200,000 and maximum gross proceeds of \$2,500,000.
<i>Agent's Commission:</i>	The Agent will be paid an Agent's Commission equal to 8% of the gross proceeds raised pursuant to the Offering in the case of subscribers sourced by the Agent, and a cash commission equal to 4% of the gross proceeds raised pursuant to the Offering in the case of subscribers sourced by the Company. In addition, the Agent will receive the Compensation Options exercisable at an exercise price equal to the Offering Price entitling the Agent to purchase that number of Agent's Units that is equal to 8% of that number of Units issued pursuant to the Offering in the case of subscribers sourced by the Agent, and 4% of that number of Units issued pursuant to the Offering in the case of subscribers sourced by the Company. See " <i>Plan of Distribution</i> ".
<i>Over-Allotment Option:</i>	The Company has granted to the Agent the Over-Allotment Option solely to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of securities upon exercise of such option. See " <i>Plan of Distribution</i> ".
<i>Closing:</i>	The closing of the Offering is expected to occur on or about February 23, 2015 or such later date as the Company and the Agent may agree.
<i>Use of Proceeds:</i>	Assuming completion of the Maximum Offering, the net proceeds to the Company from the sale of the Units offered hereunder, after deducting the Agent's Commission (\$200,000), together with the estimated expenses of the Offering (\$120,000), and the Corporate Finance Fee are estimated to be \$2,180,000. The Company intends to use the net proceeds of the Offering primarily to advance its business in the Marijuana-Infused Products Segment and the EMAL Clinics. See " <i>Use of Proceeds</i> ".
<i>Agent:</i>	Jacob Securities Inc.

Risk Factors

An investment in Units should be considered highly speculative and investors may incur a loss on their investments. The following risk factors should be carefully considered in evaluating the Company. A reader should carefully consider information included in this Prospectus before purchasing securities, the information set out under "*Risk Factors*". The Company has a very limited operating history in an emerging area of business and to date has had negative cash flows from operations in its most recently completed financial year. The Company relies on securing agreements with Royalty Producers and Palo Verde, in particular. Non-compliance with federal, provincial or state laws and regulations, or the expansion of current, or the enactment of new laws or regulations, could materially affect the Company's business. The Company may become subject to additional government regulation and legal uncertainties that could restrict the demand for its services or increase its cost of doing business, thereby adversely affecting its financial results. The Company may become subject to regulatory approvals and require permits to carry on its business. Regulations may hinder the Company's ability to establish and maintain bank accounts. There

are risks associated with product liability, product recalls, operations risks and adequate insurance coverage. There are enforcement risks associated with the different regulatory regimes in place in the jurisdictions in which the Company operates. The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing. There is currently no market for securities of the Company. There can be no assurance that the Company's shareholders or purchasers of Units will be able to resell their securities at prices equal to or greater than their cost. The Company relies on acquisition of real estate properties and is subject to risks generally affecting the real estate industry in the markets in which it chooses to operate. There are certain risks associated with tax treatment of the Company's business. Illegal drug dealers could pose threats to the operations of the Company. The Company relies on key management personnel and may be adversely affected by the loss of such personnel. There are a number of factors that may prevent realization of growth targets. The Company may face intense competition and expects competition to increase in the future, which could prohibit the development of its customer base and generating revenue. The products developed and licenced by the Company may become subject to regulation governing food and related products. There are risks relating to the MMPR Options and the EMAL Clinics. There are environmental, employee health and safety standards and regulations which the Company must comply with. There are risks associated with the ability to forecast market development and the ability to manage growth of the Company's business. As a holding company with no material assets other than the stock of the Company's operating subsidiaries, nearly all of the Company's funds generated from operation are generated by its subsidiaries. The Company faces risks associated with its dividend policy, currency exchange rates and enforcement of legal rights. Officers and directors of the Company own significant shares and can exercise significant influence. Future sales of Common Shares by existing shareholders can negatively affect the value of the Common Shares. Volatile global financial and economic conditions may negatively affect the Company's operations. For a full discussion of these and other risks, see "*Risk Factors*."

Selected Financial Information of the Company

The following selected financial information is based on and derived from the financial statements of the Company for the completed financial years ended July 31, 2014 and 2013 and for the three month period ended October 31, 2014. This summary financial information should only be read in conjunction with the Company's financial statements, including the notes thereto, included elsewhere in this document. See "*Selected Financial Information of the Company*".

	Unaudited Financial Information for the Period Ended	Audited Financial Information for the Year Ended July 31,	
	October 31, 2014 (\$)	2014 (\$)	2013 (\$)
Total revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(382,727)	(681,155)	(73,675)
Net income (loss) for the period	(382,727)	(681,155)	(73,675)
Basic and diluted income (loss) per share ⁽¹⁾	(0.005)	(.012)	(0.008)
Total assets	612,592	695,477	Nil
Current liabilities	250,158	220,150	176,667
Total long-term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

CORPORATE STRUCTURE

Name and Incorporation

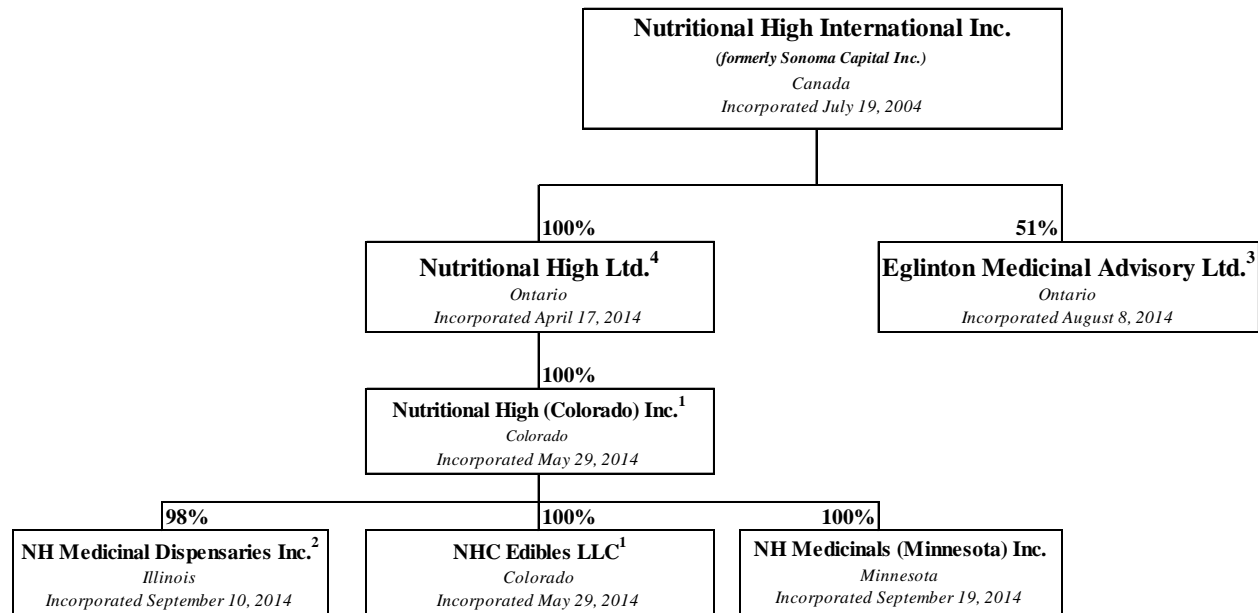
The Company was incorporated under the CBCA on July 19, 2004 as "Sonoma Capital Inc." The Company filed a final prospectus on January 31, 2007 in Quebec, and is therefore a reporting issuer in Quebec. On June 27, 2014, the Company completed the Acquisition and changed its name to "Nutritional High International Inc."

On June 27 2014, the Company filed articles of amendment to allow for an increase in the size the size of the Board between meetings of shareholders.

The Company's head and registered office is located at 77 King Street West, Suite 2905, Toronto-Dominion Centre Toronto, ON M5K 1H1.

Intercorporate Relationships

Through the Acquisition, NHL became a wholly-owned subsidiary of the Company. NHL and NHCI's activities will be limited to being holding companies.



Notes:

- (1) NHC and NHCI carry out the Company's operations in the Marijuana-Infused Products Segment. NHC will undertake activities in the State of Colorado that do not require it to obtain a Licence, such as acquiring and leasing real estate to Licenced Operators and entering into royalty and financing agreements with Licenced Operators who are focused in the recreational market and subject to Residency Requirements. See "*The Business – Marijuana-Infused Products Segment – Significant Events, Milestones, and Business Objectives.*"
- (2) NHMDI carries out the Company's operations in the Retail Business in the State of Illinois. NHMDI has submitted an application for a Dispensary Licence. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – Lawrenceville Property Acquisition and Dispensary Licence Application.*"
- (3) EMAL carries out the Company's operations in the Clinic Business in the Province of Ontario. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – EMAL Clinics.*"
- (4) NHL carries out the Company's operations in the Medical Advisory and Retail Segment, insofar as holding the Northumberland Option and Haldimand Option. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – MMPR Options.*"

The Acquisition

On June 27, 2014, the Company completed the Acquisition, whereby it acquired all of the issued and outstanding securities of NHL from the Vendors and changed its name to "Nutritional High International Inc." Pursuant to the

Acquisition, the Vendors exchanged an aggregate of 60,400,011 NHL Shares and 13,500,006 NHL Warrants, being all of the issued and outstanding NHL Shares and NHL Warrants held by the Vendors, for an aggregate of 60,400,011 Common Shares and 13,500,006 Series I Warrants. In addition, 150,000 Common Share purchase warrants issued pursuant to the Northumberland Option were exchanged on a one-for-one basis in connection with the Acquisition.

THE BUSINESS

Pursuant to the Acquisition, the Company acquired the business of NHL. NHL operates in the Medical Marijuana and Retail Marijuana sectors in the United States and in the Medical Marijuana sector in Canada. The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the marijuana industry in the United States and Canada. The Company's vision is to establish a leading foothold in several distinct parts of the value chain of the North American recreational and Medical Marijuana industry and replicate its model in other jurisdictions where permitted by law or regulation.

The Company is well positioned to take advantage of growth in the marijuana industry in both the U.S. and Canada with its multi-faceted strategy and experienced management team. The Company is aware that the legal marijuana industry is in its infancy and is rapidly evolving which presents risks in addition to opportunities. The Company has retained legal counsel in each jurisdiction in which it operates. There is, however, no certainty that the Company will not be adversely affected by changes in government regulation and other factors in the future. The Company aims to mitigate these risks by closely monitoring regulatory changes with the assistance of legal counsel and by maintaining the highest standards possible with respect to legal, accounting and security controls, as well as proactively taking a leadership role in working with regulatory bodies and other stakeholders to build the necessary institutional infrastructure typically available to other types of businesses.

The Company's business is focused on two main segments: Marijuana-Infused Products Segment and Medical Advisory and Retail Segment.

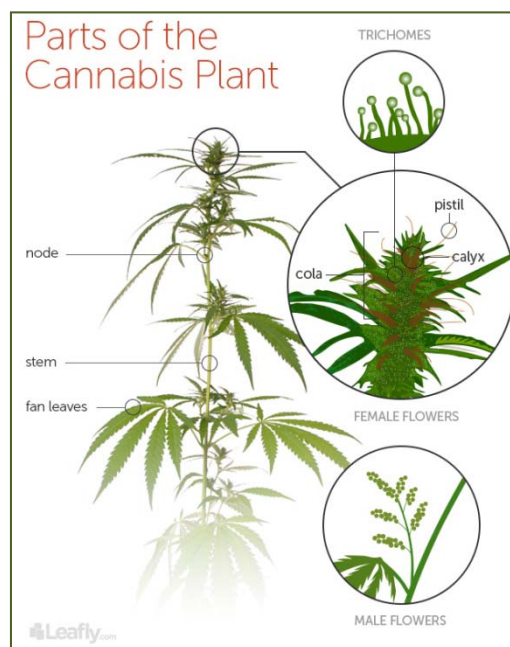
Marijuana-Infused Products Segment

Summary

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 focused solely on the U.S. States where permitted by law and regulation. See "*The Business – Marijuana-Infused Products Segment – Regulatory Regimes*".

Traditionally, the female marijuana or cannabis plant was consumed by smoking. The flower of the plant is dried and smoked either through a pipe, a cigarette or a filtration device/apparatus such as a water pipe or a vaporizer.

Leafs, nodes and stems are not typically utilized for consuming cannabis through smoking, but are used in production of other products such as oil extracts. THC, the principal psychoactive constituent of the cannabis plant is extracted in the form of Marijuana Concentrate from the plant. The Marijuana Concentrate is then used to manufacture a number of Marijuana-Infused Products including:



- Edible Products. Marijuana Concentrate is used to infuse edible products such as confectionaries (chocolate bars, candies, cakes, etc), teas, drops and tinctures.
- Drinks. Teas, drink additives, sweeteners and branded drinks.
- Topical Products. Creams, massage oils, lotions, bath soaks, lip balms, etc.
- Dietary Supplements. Protein shakes, oil capsules, etc.
- Smokable Products. Vaporizer pens akin to e-cigarettes, which use cartridges infused with cannabis oil.

In jurisdictions where permitted, the Marijuana-Infused Products can be used for both recreational and medicinal purposes.

Regulatory Regime

The Company's Marijuana-Infused Products Segment is focused exclusively in the U.S. States that have legalized marijuana for medical or recreational uses and require manufacturers of marijuana products to hold a License issued by the applicable state authorities. The Company's business will be affected by both state and federal regulation governing the production and sale of marijuana in general, and edible Marijuana-Infused Products, in particular.

Changes in both state and federal law and the enforcement of those laws could have a material positive or negative impact on the Company's operations. The Company is also looking at other states for prospective business opportunities should changes in regulations occur that are favourable to the Company's business. For further discussion regarding the risk factors relating to the Company's business. See "*Risk Factors*."

License and Residency Requirements

All U.S. States that have legalized Medical Marijuana impose a range of requirements on the entities wishing to become Licensed Operators including obtaining a License from state governmental authorities. The State of Colorado imposes a Residency Requirement for Licensed Operators and their individual owners. Other states (such as Nevada, Illinois and Arizona) do not impose a Residency Requirement. The Company's strategy in the states with Residency Requirements is focused on providing services to the industry rather than directly owning production or retail operations. The Company currently is currently actively pursuing the opportunities in the following U.S. States.

State	Recreational Use	Medical Use
Colorado*	X	X
Illinois		X

** indicates that Licensed Operators are subject to Residency Requirements*

The Company is evaluating potential opportunities in the following U.S. States, but does not currently have active operations.

State	Recreational Use	Medical Use
Arizona		X
Washington*	X	X
Nevada		X
Oregon		X
Minnesota		X

** indicates that Licensed Operators are subject to Residency Requirements*

State of Colorado Regulatory Regime

On November 6, 2012, Colorado Amendment 64 was passed to amend Colorado's constitution, subsequently enacted as Article 18, section 16 of the state constitution, addressing "personal use and regulation of marijuana" for adults 21 and over, as well as commercial cultivation, manufacture, and sale, effectively regulating cannabis in a manner similar to alcohol. Pursuant to the Retail Code adopted in 2013, by the State of Colorado, Licensed Operators are subject to Residency Requirements.

Under the regulatory regime in Colorado, a company or individual may apply for the two types of Licenses – Retail License and Medical License. Medical License has three classes:

- MMC License – also known as a "medical dispensary" License. A MMC License allows for the operation of a Medical Marijuana store from which Medical Marijuana registry patients may purchase Medical Marijuana and Medical Marijuana-Infused Products. Medical Marijuana cannot lawfully be grown and Medical Marijuana-Infused Products may not be produced with this License or within this facility's premises. There are several types of MMC Licenses, depending on the number of registered patients that are serviced.
- MMOPC License – facility which grows, harvests and processes Medical Marijuana for sale to Licensed Operators holding a valid MMC License or for sale to Licensed Producers holding a valid MMIP License for use in Medical Marijuana-Infused Products. Holders of MMOPC License may only cultivate Medical Marijuana and must be associated with at least one Licensed Operator holding a valid MMIP License or MMC License.
- MMIP License – facility which produces Medical Marijuana-Infused Products. These facilities are only able to wholesale their products to MMC License holders.

Retail License has four classes:

- RMS License – means an entity licensed to purchase Retail Marijuana from RMC License holders and Retail Marijuana-Infused Products from RMIP License holders and to sell Retail Marijuana and Retail Marijuana-Infused Products to qualified consumers. Retail Marijuana may not be cultivated or processed under this License.
- RMIP License – means an entity licensed to purchase Retail Marijuana; manufacture, prepare, and package Retail Marijuana-Infused Product; and sell Retail Marijuana and Retail Marijuana-Infused Product to other RMIP License holders and to RMS License holders, but not to consumers. Retail Marijuana may not be cultivated or sold to retail customers under this License - all sales must be made wholesale to entities holding a RMS License. If a holder of this License class chooses to own and operate a cultivation facility it may not sell any of the Retail Marijuana that it cultivates except for the Retail Marijuana that is contained in its products.
- RMC License – used exclusively for the cultivation of Retail Marijuana plants and the harvesting of Retail Marijuana. If not associated with a holder of a RMIP License this licensee may sell Retail Marijuana to holders of a RMC License, RMS License or RMIP License. Medical Marijuana cannot be lawfully cultivated with this license or within this facility's premises.
- RMT License – facility that performs testing and research on Retail Marijuana for other Licensed Operators.

U.S. Federal Law

While marijuana and Marijuana-Infused Products are legal under the laws of several U.S. States (with vastly differing restrictions), at the present time, the concept of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The United States *Federal Controlled Substances Act* classifies "marijuana" 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.

The United States Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal purposes.

In a memorandum dated August 29, 2013 addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General ("**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. Any such change in the U.S. federal government's enforcement of current U.S. federal laws could cause adverse financial impact to the Company's business. See "*Risk Factors*".

In February 2014, FinCEN issued guidelines allowing banks to legally provide financial services to Licensed Operators that hold a valid License ("**FinCEN Memo**"). The rules re-iterated the guidance provided by the Cole Memo, stating that banks can do business with Licensed Operators and "may not" be prosecuted. The guidelines provide that "it is possible [for the banks] to provide financial services" to Licensed Operators and while remaining in compliance with federal anti-money laundering laws. The guidance falls short of the explicit legal authorization that banking industry officials anticipated and the outcome of the banks relying on this guidance in transacting with Licensed Operators is currently unclear. See "*Risk Factors*".

On December 16, 2014, President Obama signed the Cromnibus Bill, approving spending for certain federal agencies through September 30, 2015. Section 583 of the Cromnibus Bill prohibits the United States government from using federal funds to prevent states with medical marijuana laws from implementing state laws that authorize the use, distribution, possession, or cultivation of medical marijuana. Nevertheless, there can be no certainty that future U.S. federal funding bills will include similar provisions. See "*Risk Factors*".

Business Model

The Company's business model in its Marijuana-Infused Products Segment differs depending 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 states where a Licensed Operator must be a U.S. 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.

In the U.S. States without Residency Requirements, the Company may choose to apply for a License or acquire entities with a License and produce products itself, or work with other Licensed Operators using the same model as it has developed for U.S. States with a Residency Requirement. The Licensed Operators include growers of Marijuana, Marijuana-Infused Product manufacturers and retail dispensaries. Ancillary service providers may include medical and educational centres and marijuana paraphernalia shops.

U.S. States with Residency Requirements

In U.S. States with Residency Requirements, the Company will work with companies or other entities that have a valid License issued by the applicable U.S. State authorities to provide an array of services as a part of its "franchise-like" model, or will work with eligible persons applying for such Licence. The Company has developed a business model where it is undertaking a combination of the following functions with the expectation of realizing the following respective revenue streams from such activities.

Activities	Expected Revenue Streams
Acquire and develop recipes, know-how and other intellectual property for the preparation of Marijuana-Infused Products and Marijuana Concentrates, for use by Royalty Producers entering into royalty agreements with the Company.	Royalty fees
Develop recognizable brands for Marijuana-Infused Products and Marijuana Concentrates for use by Royalty Producers entering into royalty agreements with the Company..	Royalty fees
Provide consulting services with respect to extraction processes, techniques, training and know-how relating to Marijuana Concentrates.	Consulting fees Royalty fees
Acquire real estate for lease to Licensed Operators.	Leasing fees, Rent
Provide financing and equipment leasing to Licensed Operators and prospective Licensed Operators.	Interest income Loan fees (renewal, origination, etc.) Leasing Fees
Provide financial and strategic support to Licensed Operators in securing supply of Marijuana.	Miscellaneous consulting fees

While the Company's core strength is development of edible Marijuana-Infused Products and it is developing expertise in Marijuana Concentrate extraction techniques, it approaches each jurisdiction with a tailored strategy in order to comply with the regulatory framework, while emphasizing its core competencies in the edible Marijuana-Infused Products market. As such, the Company may focus on different parts of the industry value chain, or focus on acquiring assets in the industries, not directly related to Marijuana-Infused Products or Marijuana Concentrate in order to ensure such compliance (e.g., acquisition of real estate, unsecured lending and consulting).

The Company has engaged legal counsel in Colorado to conduct appropriate corporate due diligence to ensure compliance of Licensed Operators with whom the Company conducts business. Compliance with Residency Requirements in Colorado are strictly monitored by the MED. The Company intends to verify that Licensed Operators with whom it does business provide a copy of their state and local licenses. Any royalty agreements entered into with a Licensed Operator will be subject to the Licensed Operator maintaining its licenses in good standing with the appropriate regulatory authority and comply with applicable laws.

U.S. States without Residency Requirements

The Company is also considering seeking licensing to manufacture and distribute edible Marijuana-Infused Products and Marijuana Concentrates in certain U.S. States without Residency Requirements or with Residency Requirements that the Company is able to comply with. The Company is also considering licensing edible Marijuana-Infused Products for sale in certain U.S. States for manufacturing and distribution in other U.S. States, where edible

Marijuana-Infused Products are permitted by the applicable U.S. State regulations. Due to U.S. federal regulations, the Company will evaluate each U.S. State in which the Company chooses to operate as a separate market and with a distinct business plan. Given market fragmentation due to the various U.S. State regulatory regimes, the Company expects that its products will be manufactured in micro-factories for distribution only in the U.S. State where the micro-factory is situated.

Specialized Skill and Knowledge

The Company has hired Melissa Parks, as the Vice President, Product Development. Ms. Parks is a Cordon Bleu trained chef with extensive experience in the manufacturing of edible Marijuana-Infused Products and creating high-end baked goods and confectionary products incorporating Marijuana Concentrates. Ms. Parks also provides know-how and consulting services to the Company's clients.

The Company has acquired 30 recipes for edible Marijuana-Infused Products from Ms. Parks, including recipes for Chocolate Chew, Colorado Peach Pound Cake, High Altitude Hard Candy and Caramel Cashew Popcorn with Chocolate Drizzle. Ms. Parks' role with the Company includes developing additional recipes which will be proprietary to the Company and will, along with the acquired recipes, form a library of proprietary recipes for edible Marijuana-Infused Products in regards to which, the Company will enter into royalty agreements with Royalty Producers.

The Company's management also has identified marijuana growers, Marijuana Concentrate extractors and suppliers in North America, which it can call on to fill the need for various expertise as such needs arise.

Products and Services, and Intangible Properties

Initially, the Company plans to focus primarily on developing retail product lines in Colorado and once the recreational products have been developed, they will be modified for the purpose of marketing to the medical markets. In the U.S. States other than Colorado, it is expected that the Company will focus primarily on developing and licensing the manufacture of edible Marijuana-Infused Products primarily for the medicinal markets.

At this time, the Company is focused on developing its products using the recipes it has acquired from Ms. Parks; however, in the future it may consider subcontracting such development, or acquiring additional product lines/brands from other companies if such is deemed synergistic with its current operations.

The Company believes branding will be important and is focusing on developing brands that it believes will resonate with consumers. The Company is now in its development stage of product packaging. The Company has submitted trademark applications in the United States and Canada on three initial brand names it intends to utilize, including Breaking Bud, Heisenberg Blue and Gootch.

The Breaking Bud product line includes:

- Solid Marijuana Concentrates. The products include hash, bubble hash and hard candy extracts varying in strain types and potencies. This also includes a line of solid cannabinoid extracts, which do not contain THC.
- Liquid Marijuana Concentrates. The products include oils extracted from a variety of strains to be sold primarily to other Licensed Operators for infusion into edible Marijuana-Infused Products.
- Cartridges. The cartridges that can be inserted into a vaporizer or "vape pen" for the purpose of consuming the product through smoking. The Company will work with different dispensaries in the U.S. States that legalized marijuana and vaporizer manufacturers to create Marijuana Concentrates that work most effectively with their product brands.
- Other Products. Including protein shakes, boxed baking items and flour in jars with recipes for edible products.

The Heisenberg Blue product line includes:

- Hard Candy. The hard candy line is small hard candy wrapped in the Company's packaging. This also includes a line of individual hard molded candies with a lower THC content.
- Sugar/Sweetener packets. The sweetener line includes a powder that can be added to hot drinks (such as tea and coffee) added to cereal or used as sugar is presently used in foods.
- Tinctures and Drink Additives. Flavoured liquids that can be added to beverages. The line has a variety of flavours providing a variety of taste and selection to the customers. Tincture drops can be added to dips, food, hot drinks, water or cold drinks. The liquid form can come in a squeeze bottle allowing consumers to add the tincture to different types of food.

Gootch is the Company's high end line of products that includes:

- Chocolates. Variation of dark and/or milk chocolate bars, mint chocolate, peanut butter and chocolate and chocolate where almonds, hazelnuts, fruit or cookies could be added to the chocolate;
- Chews. Chocolate chews and fruit chews with a variety of fruit flavours;
- Energy or Granola bars and Natural Food Options. The product line consists of health and energy bars, as well as high end desert bars/cakes (brownies), gluten free cakes and diabetic candies; and
- Savoury Sauces. Hot sauce, BBQ sauce, marinara sauce and salad dressings.

In addition to Marijuana-Infused Products, the Company is working with different marijuana growers and strain specialists across North America with a view of entering into royalty agreements with Royalty Producers in regards to the proprietary strain brands to be manufactured and sold by Royalty Producers, as permitted by regulation.

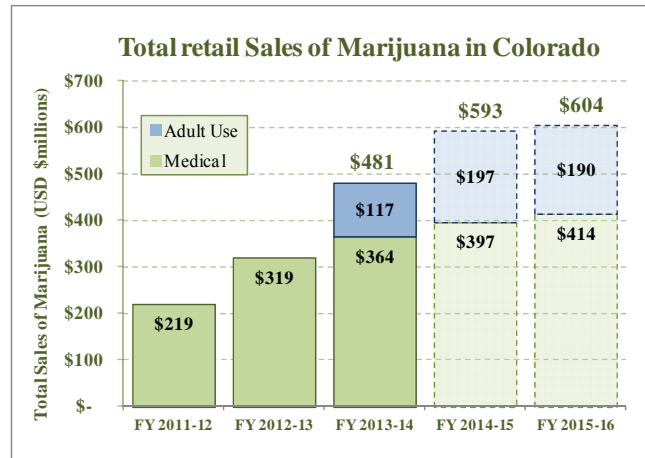
The Company will generally only enter into royalty agreements with Royalty Producers that have the ability to produce the Marijuana-Infused Products in a commercial kitchen. As the Company's products are still in the development stage, the specific layout and equipment requirements of the commercial kitchen have not been established. The Company's Vice President, Product Development has significant experience in operating commercial kitchens and the Company will assist Royalty Producers in establishing or upgrading manufacturing facilities and can provide appropriate support to Royalty Producers. In the event that the Maximum Offering is completed, the Company expect to acquire certain processing equipment and a confectionary depositor/printer, which the Company anticipates leasing to Royalty Producers. Management estimates that the processor is capable of processing up to 40 pounds of Retail Marijuana per four-hour cycle into Marijuana Concentrate, and the confectionary depositor/printer has the capacity to produce up to 350 pounds of confectionary products per hour (provided that each products weighs half an ounce). Management expects this capacity to be well beyond the initial production needs of a Royalty Producer.

The Company will protect its intellectual property with provisions in the applicable contracts and through the enforcement of copyright law and may commence trademark infringement actions in an event of a breach of its intellectual property rights.

Primary Markets and Competitive Conditions - State of Colorado

In the Marijuana-Infused Products Segment, the Company is initially focused on the State of Colorado, where edible Marijuana-Infused Products are currently legal for medicinal and recreational use and is also pursuing opportunities in other U.S. States.

The Department of Revenue of Colorado commissioned a study which estimated 2014 annual demand for marijuana for recreational use at 130.3 metric tons (total resident and visitor demand)¹, with approximately 77 tons expected to be sold through Retail Marijuana stores. This indicates that approximately 53.3 tons will be provided to the market from outside of the regulatory framework – indicating a significant supply-demand imbalance, which creates an opportunity for new market entrants to fill the gap.



The statistics in the study are focused on the Retail Marijuana market, but currently provide no data specific to the Retail Marijuana-Infused Products. Although a portion of the market sales estimate includes edible Marijuana-Infused Products, the author of the report assumes all sales represented dry weight of Retail Marijuana.

Based on Colorado Department of Revenue reports, total retail sales at Medical Marijuana stores were US\$219 million and US\$319 million for the 2012 fiscal year (July 2011 to June 2012), and 2013 fiscal year (July 2012 to June 2013) respectively². On January 1, 2014 the State of Colorado legalized sales of Retail Marijuana and Marijuana-Infused Products for adult recreational use. Based on quarterly reports for the first six months of the fiscal 2013-2014 year and monthly reports for the second six months of 2013-2014 fiscal year total medical marijuana and total recreational marijuana sales were US\$364 million and US\$117 million, respectively³. The Legislative Council Staff of the Colorado General Assembly, reports in its research paper on economic and revenue forecast that the expected sales tax revenues for fiscal years 2014-2015 and 2015-2016 from medical and recreational marijuana, are estimated at US\$17.2 million and US\$17.5 million, respectively⁴. Dividing the expected tax revenue by the sales tax rate of 2.9%, these figures extrapolate to US\$593 million and US\$603 million, respectively. The same document projects the tax revenue for recreational marijuana for fiscal years 2014-2015 and 2015-2016, at US\$5.7 million and US\$5.5 million, respectively. These figures extrapolate to US\$197 million and US\$190 million gross revenues, for the respective tax years. Though the data does not state the percentage of sales allocated to r Marijuana-Infused Products versus Retail Marijuana, these statistics evidence the size of the potential market in the state of Colorado. The Company considers the estimates of the Legislative Counsel Staff of the Colorado General Assembly very conservative based on monthly reports for the first five months of the 2014-2015 fiscal year of total retail Medical Marijuana and Retail Marijuana sales were US\$151 million and US\$153 million, respectively⁵.

¹ Market Size and Demand For Marijuana in Colorado, prepared by The Marijuana Policy Group for the Colorado Department of Revenue <http://1.usa.gov/1qhkk6C>

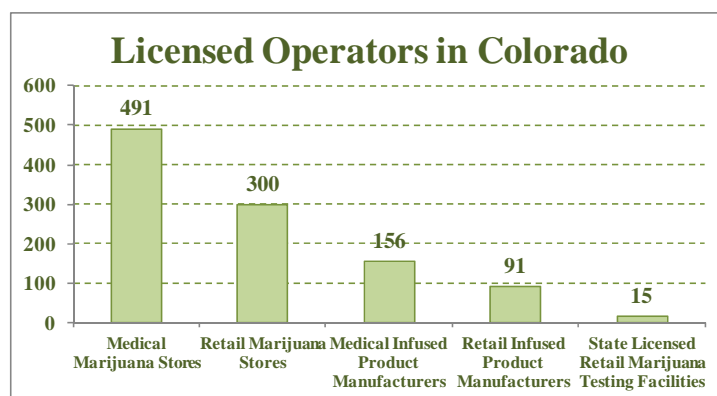
² Colorado Marijuana Tax Data, <https://www.colorado.gov/pacific/revenue/colorado-marijuana-tax-data>

³ Ibid. First half of 2013-2014 fiscal year uses actual quarterly sales figures reported by the Colorado Department of Revenue, and extrapolated tax figures for the second half of 2013-2014. The total sales figure was calculated as total Sales Tax Transfer to Marijuana Cash Fund divided by 2.9% tax rate.

⁴ Focus Colorado: Economic And Revenue Forecast, Colorado Legislative Council Staff Economics Section, September 22, 2014, <http://www2.cde.state.co.us/artemis/gaserials/ga417internet/ga417201409internet.pdf>

⁵ Supra Note 2.

As of December 1, 2014, MED has reported the following statistics regarding Licensed Operators:



Since marijuana has only recently been legalized in certain jurisdictions, the Company's management believes the industry is still in infancy stages, and business, industrial and regulatory frameworks are not fully developed. Lack of traditional sources of financing, absence of an efficient supply chain network and streamlined marketing channels, and strict regulatory requirements (including the Residency Requirement) create market inefficiencies, which create a business opportunity for the Company.

Currently, to the Company's knowledge there are no direct Canadian competitors of the Company offering a similar value proposition to Licensed Operators in the United States. In the United States, there are several public companies offering financing, incubation and strategic services to Licensed Operators in different U.S. States; however, few offer a similar focus on edible Marijuana-Infused Products. Below is a summary of some of the competitors identified by the Company.

Company Name	Ticker and Exchange	Summary and Service Offering
Agritek Holdings Inc.	OTCQB: AGTK	Agritek Holdings, Inc. provides real estate management and health and wellness product lines, including beverages, vaporizers, and accessories under its trademarked brands.
BreedIT Corp.	OTCQB: BRDT	BreedIT Corp., develops, licenses, and markets agro-breeding solutions for plant breeders and researchers.
Cannabis Sativa Inc.	OTCQB: CBDS	Cannabis Sativa Inc. acquired Kush Inc, in June 2014. Kush is engaged in the research, development and licensing of specialized natural cannabis products, including cannabis formulas, edibles, topicals, strains, recipes and delivery systems.
Cannabis Science Inc.	OTCQB: CBIS	Cannabis Science Inc. is focused on providing treatment approaches to illnesses for which current treatments and understanding remain unsatisfactory.
Medical Marijuana Inc.	PINK: MJNA	Medical Marijuana Inc. has a portfolio of products, services, technology and businesses focused on the production of high concentrate cannabinoid-rich hemp oil products.
Mentor Capital Inc.	PINK: MNTR	Mentor Capital Inc. invests in medical and social use cannabis companies.
Chuma Holdings Inc.	OTCBB: CHUM	Chuma Holdings Inc., has acquired CannaMed Corp., which is focused on providing services to companies in cannabis industry, including financing, payments solutions, regulatory compliance in the State of California.

Sources: EDGAR and OTC Markets Group filings.

Primary Markets and Competitive Conditions - Other U.S. States

The Company's growth plans include expansion to other U.S. States if and when legislation permits on a state-by-state basis as the Company determines that a suitable business opportunity exists. By developing product and brand designs that can be licensed to local manufacturers together with other support services, the Company believes it

will be well-positioned to enter new U.S. States quickly, efficiently and to be among the first to capitalize on opportunities in the new markets in an accretive manner. To this end, the Company is currently reviewing the regulations of numerous U.S. States and has started a process of identifying suitable local partners in a number of other U.S. States. The Company is considering submitting License applications in other U.S. States which do not impose Residency Requirements.

Significant Events, Milestones and Business Objectives

The Company has achieved a number of milestones in the development of its business. In Colorado, due to Residency Requirements, the Company's operations in the Marijuana-Infused Products Segment are dependent on its agreements with Royalty Producers. In this regard, the Company has acquired the Pueblo Location and entered into agreements with Palo Verde, described below.

Pueblo Location

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 details of which are set out below. The remainder of the purchase price was funded by the Company through working capital.

In connection with the purchase of the Pueblo Location, 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 the option of lender 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 "**Deadline**"), 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.

On January 19, 2015, the Company entered into the amendment to the Senior Convertible Debenture with the holder of the Senior Convertible Debenture, pursuant to which in consideration of the holder extending the Deadline from January 31, 2015 to March 16, 2015 (the "**Deadline Extension**"), the Company has agreed to issue to the holder of the Senior Convertible Debenture a fee in the amount of \$30,000 (the "**Consideration**") payable as follows:

- (i) if the Offering closes on or before March 16, 2015, the Consideration will be converted into Units at the Offering Price; or
- (ii) if the Offering does not close by March 16, 2015, the Consideration will not be converted into Units but will be added to the principal of the Senior Convertible Debenture.

The Company also issued a Subordinated Convertible Debenture in the principal amount of \$150,000 to a group of lenders comprised of Adam Szweras, Stasis Rizas and David Posner, all of whom are directors of the Company, in connection with the financing of the acquisition of the Pueblo Location. The Subordinated Convertible Debenture matures on the Maturity Date and carries an interest rate of 12% per annum. The Subordinated Convertible Debenture is secured by a general security interest over all assets of the Company, subordinate to the Senior Convertible Debenture. The Subordinated Convertible Debenture carries the same Conversion Price and Conversion Price Adjustment provisions as the Senior Convertible Debenture (excluding the issuance of 450,000 Common

Shares immediately prior to closing the Offering). The holders of the Subordinated Convertible Debenture have agreed to extend the Deadline to March 16, 2015 for no additional consideration.

Palo Verde

In the next 12 months, the Company expects to (i) advance additional funds to Palo Verde under the US\$150,000 revolving loan agreement (though it is not obligated to do so upon provision of notice to Palo Verde to that effect), (ii) have Palo Verde commence production of the Company's edible Marijuana-Infused Products using the Company's recipes and other know-how, for distribution under the Company's brands, and (iii) assist Palo Verde in its efforts to produce and sell Marijuana Concentrate using the Company's know-how and brands.

Palo Verde is a private Company incorporated under the laws of the State of Colorado, which received a RMIP License and a RMC License on October 1, 2014. Palo Verde intends to enter into a recipe and branding royalty agreement with the Company and commence production of Marijuana-Infused Products and Marijuana Concentrates using the Company's brands and recipes in the first quarter of 2015. Palo Verde also intends to commence cultivation of Retail Marijuana pursuant to its RMC License at the Pueblo Location upon finalizing the architectural drawings and sourcing appropriate equipment to commence operations.

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

- 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 interest 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 square feet 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 square feet currently occupied by it commences on January 1, 2015 subject to a nine month deferral period. The rent payable on the 10,000 square feet 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 interest 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 revolving loan agreement provides that the Company is not under an obligation to advance funds to Palo Verde upon provision of notice to that effect. 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. Once executed, the branding royalty agreement will be considered a material contract of the Company and will be filed on SEDAR. The Company anticipates entering into such agreement with the Palo Verde in the first quarter of 2015. Such agreement is conditional on approval of the MED. The Company expects Palo Verde to commence production of Marijuana-

Infused Products by June 2015. 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.

Palo Verde is not a related party to the Company or any of its officers or directors and does not hold any ownership interest in the Company. However, an officer of Palo Verde, who is not a director or an officer of the Company, owns 400,000 Common Shares. The officer of Palo Verde has provided ad-hoc consulting services to the Company from time to time, and the Board has approved a grant of 325,000 Company Options to the officer with an effective issue date of the date the Company closes the Offering. The exercise price of such Company Options will be equal to the exercise price of the Unit Warrants that will be issued as a part of the Offering.

Medical Advisory and Retail Segment

Summary

The Company's Medical Advisory and Retail Segment is 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.

Following the introduction of MMPR in Canada and legalization of Medical Marijuana in a number of U.S. States, many companies have entered the market to serve the manufacturing and production segment of the market, the Company believes that fewer entities in the space are focused on the marketing and distribution side of the market but are instead focussed on cultivation and manufacturing.

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 is currently awaiting the decision on such license application. The acquisition of the Lawrenceville Property is conditional on NHCI obtaining the Dispensary License. The acquisition will not proceed until such time as such license has been obtained. The Company is developing a business to franchise Medical Marijuana dispensaries in other U.S. States with no Residency Requirements.

The Company has established a medical and educational consulting business (the "**Clinic Business**") focused on providing services to patients that can potentially benefit from the use of Medical Marijuana. The Company intends to design or acquire from a third party the Educational Web Site so it may support both Canadian and U.S. Medical Marijuana patients and physicians.

The Company has also entered into option agreements with two separate companies that have applied for MMPR licenses. The options are currently of secondary priority to the Company's Medical Advisory and Retail 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 and a backlog of applications for Licences of Medical Marijuana. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – MMRP Options.*"

Primary Markets and Regulatory Regime

State of Illinois Regulatory Regime

On August 1, 2013, Illinois enacted the CUMCPPA legalizing Medical Marijuana in Illinois with the legislation taking effect on January 1, 2014. CUMCPPA establishes a patient registry program, protects registered qualifying patients and registered designated caregivers from "arrest, prosecution, or denial of any right or privilege," and allows for the registration of cultivation centers and dispensing organizations.

According to CUMCPPA, qualifying patients can begin applying for registration commencing September 1, 2014. Patients must submit written certification from a doctor that they need Medical Marijuana, proof of Illinois residency, proof of identity and age and a photo when they apply.

The CUMCPPA is regulated by three departments of the State of Illinois: the Department of Health (regulating license applications for individuals), the Department of Agriculture (regulating the application process for cultivation of marijuana), and the Department of Financial and Professional Regulation (regulating the application process for Dispensary Applications). These departments are required to enact rules to implement the CUMCPPA, which were finalized and ready for implementation on July 15, 2014. There are currently no Residency Requirements for companies wishing to apply for cultivation or dispensary licenses.

The CUMCPPA states that a medical cannabis dispensary may not be located within 1,000 feet of the property line of a pre-existing public or private preschool or elementary or secondary school or daycare center, daycare home, group daycare home, or part day child care facility. A medical cannabis dispensing organization may not be located in a house, apartment, condominium or an area zoned for residential use.

Section 85(a) of CUMCPPA provides that the Department of Agriculture (Illinois) may register up to 22 Medical Marijuana cultivation centers. Section 115(a) of CUMCPPA provides that the Department of Financial and Professional Regulation (Illinois) may issue up to 60 Medical Marijuana dispensaries.

The State of Illinois was accepting applications for Medical Marijuana cultivation centres and Medical Marijuana dispensaries between September 8, 2014 and September 22, 2014. The application for a Dispensary Licence required a submission of a comprehensive package, which included submissions on the following primary subjects:

- Suitability assessment of the proposed dispensary – explanation of why the proposed location is suitable for public access, the size and layout promote safe dispensing of medical cannabis, product handling, and storage;
- Business and operations plan – information about principal officers, a staffing plan, business management practices, operating plan, and a general description of products, varieties and services related to medical cannabis intended to be offered and reasoning for those choices;
- Security plan – facility security plan, surveillance system description, product security, shipping/transportation security measures;
- Recordkeeping and inventory plan – recordkeeping plan, inventory control plan, patient education and support plan;
- Financial disclosures – disclose all relevant business transactions and financial information connected with the application; and
- Optional Information – labor and employment practices, research plan, community benefits plan, substance abuse prevention plan, local community/neighborhood report and environmental plan.

The Illinois Department of Public Health has not advised on the timetable for the next steps in regards to the CUMCPPA licensing process, but on October 2, 2014 it released an update indicating that the Illinois Department of Agriculture received 159 submissions for cultivation centre licenses and The Illinois Department of Financial and Professional Regulation received 214 submissions for dispensary licenses. The update indicates that Lawrence County (the county where the Lawrenceville Property is located) belongs to District 12, where four cultivation centre submissions were received and one dispensary submission (that of NHMDI). The communication between Illinois Department of Public Health and the Company in regards to the Dispensary License application has been limited to one comment letter, requesting a supplementary document, which was promptly addressed by NHMDI. The acquisition of the Lawrenceville Property is conditional on NHMDI obtaining the Dispensary License. The acquisition will not proceed until such time as such license has been obtained.

Canadian Regulatory Regime

In 2001, Canada implemented a government-run program for Medical Marijuana access - *Marihuana Medical Access Regulations* ("MMAR"). MMAR permitted approved persons access to either grow the product or seek supply from Health Canada. According to Health Canada statistics, the number of individuals in Canada approved to use Medical Marijuana has grown from 500 in 2001 to more than 30,000 as of December 31, 2013. In June 2013, Health Canada issued new regulations with the intent that it replace MMAR. In order to obtain a license under MMPR, applicants are required to meet a number of conditions. According to a Canadian Broadcasting Corporation report, in 2013, there were 38,000 authorized users of Medical Marijuana in Canada with a combined prescribed 190,000 kg of Medical Marijuana per year. A cost benefit analysis study by Health Canada conducted in December 2012 states that Health Canada anticipates the number of Canadians authorized to consume Medical Marijuana could be as high as 450,000 by 2024.

On March 21, 2014, the Federal Court of Canada issued an order in response to a motion brought by a group of plaintiffs, exempting the plaintiffs from the repeal of MMAR and any operation inconsistent with MMPR with the existing "Authorizations to Possess" remaining valid. The order also outlined that the maximum quantity of dried marijuana authorized for possession shall be the lesser of (i) that which is specified by their license or (ii) 150 grams. Pursuant to the ruling, the applicants who held, as of September 30, 2013, or were issued thereafter a valid "Personal-use Production Licence" or a "Designated person Production Licence" under MMAR, are exempt from the repeal of the MMAR and any other operation of the MMPR which is inconsistent with the operation of the MMAR, to the extent that the Licence held by the applicant shall remain valid until such time as decision in the case is rendered.

It is unclear what course of action the Canadian Federal Government or the courts will pursue or whether it will be applied to all holders of possession and production licences previously issued under the MMAR. If Health Canada applies this order to all existing holders of possession and production licences, the Company expects that the immediate effect may be a lower number of existing MMAR patients than may have otherwise been anticipated registering in the new MMPR program as some may choose to continue to acquire or grow their own marijuana as they have been doing until the issue is finally settled by the courts.

The change in the regulatory framework may affect the markets the Company intends to serve, as the change might make it prohibitive for new patients to obtain licenses under the new regime, which could negatively affect the Company's business.

The regulation applicable to the Clinic Business includes the ethical and legal regulations that apply to the conduct of EMAL's staff as medical professionals in the jurisdiction they practice. With introduction of MMAR the College of Ontario Physicians has issued a policy stating that: "The physicians are expected to use their best judgment in deciding whether to complete a medical declaration under the MMAR".⁶ In addition, the College of Ontario Physicians issued draft policy open for comment until December 4, 2014 setting out expectations for physicians given the repeal of MMPR with the key principles of the draft policy including⁷:

- The draft policy does not endorse or prohibit the medical use of dried marijuana. It emphasizes that physicians who prescribe dried marijuana must do so in accordance with their own clinical and professional judgment.
- The draft policy articulates the position of the College of Physicians that the medical document required under the MMPR is equivalent to a prescription. As a consequence: physicians who prescribe dried marijuana must meet all of the relevant legal and professional duties that apply to prescribing generally; and as prescriptions are an insured service, patients must not be charged directly for the medical document or the services associated with it.
- The draft policy includes specific guidance with respect to managing the risks associated with the medical use of dried marijuana, including health risks, as well as the risk of abuse, misuse, and diversion.

⁶ *Medical Marijuana, Policy Number:#3-06* <http://www.cpso.on.ca/Policies-Publications/Policy/Medical-Marijuana>

⁷ http://policyconsult.cpso.on.ca/?page_id=4088

EMAL Clinic Business Model

As Marijuana-Infused Products and Marijuana Concentrates are currently considered to be controlled substances in Canada, the Company's Clinic Business is focused solely on Medical Marijuana. The Company's initial focus in this regard is on the Greater Toronto Area.

The Company, through EMAL, is developing the Clinic Business to provide medical and medical advisory services to medical practitioners as well as potential and current Medical Marijuana patients. In this regard, the Clinic Business will focus on providing support and educational services to family doctors and patients at its clinic locations ("**EMAL Clinics**"), with a focus on supporting patients in conjunction with their family doctor. EMAL Clinics will be staffed by doctors who will work with the patients and may be supported by nurse practitioners. In some cases, EMAL Clinic staff will act as a primary caregiver to the patients, the relationship with the patients is intended to focus on education of the benefits of Medical Marijuana given the patients' condition, rather than provide medical diagnostics of the patients' specific condition. In this regard, it is anticipated that in most cases, EMAL Clinics will provide support and advice to patients (who have received a Medical Marijuana prescription from their family doctors or other specialists) in how to administer Medical Marijuana, frequency, dosage, and other related advice. The role of the EMAL's staff is intended to be similar to that of a dietician to patients with diabetes, rather than an endocrinologist. It is anticipated that certain of these services to certain patients of the Clinic Business will be provided on an "in person" basis, and other services to certain patients will be provided on an on-line or telephone "call centre" basis.

The Company intends to leverage its relationship with EMAL Partner, which will direct potential customers to EMAL Clinics and provide assistance with marketing. The principal service of this segment is to provide the advisory and consulting services to potential patients in regards to Medical Marijuana. The Company will further develop its relationships with Medical Marijuana producers licensed under MMPR to assist the patients in procuring appropriate products to meet their needs in a convenient way, while adhering to all applicable laws and regulations, which could result in additional revenue opportunity to the Company.

The Clinic Business will be supported by the Educational Web Site available to patients and physicians free of charge. A Subscription Site with diagnostic tools, interactive capability, and more detailed information will also be developed and will only be made available to subscribers. The Clinic Business will encourage licensed producers under MMPR in Canada to provide their clients with access to the Subscription Site.

Changes in policies and regulation may affect the EMAL's ability to attract and retain clients, as it is anticipated that EMAL will earn revenue by providing advisory services to the patients who have received a Medical Marijuana prescription from their family doctors or other specialists.

EMAL Partner is not a related party to the Company or any of its officers or directors.

Significant Events, Milestones and Business Objectives

Lawrenceville Property Acquisition and Dispensary License Application

NHCI has entered into an agreement to purchase the Lawrenceville Property. The total purchase price for the Lawrenceville Property is US\$350,000 and closing is conditional on the receipt of environmental documentation if available by the seller, NHMDI applying for a Dispensary License by September 15, 2014 (completed) and successfully obtaining a Dispensary License. The Company has paid US\$5,000 in refundable funds as a deposit on the property. The purchase and sale agreement in regards to Lawrenceville Property provides that the closing of the acquisition of the Lawrenceville Property shall occur within 30 days of NHMDI receiving the Dispensary License.

NHMDI submitted an application for the Dispensary License in September 2014. The communication to date between the Illinois Department of Public Health and the Company in respect of the application for the Dispensary License has been limited to one comment letter, requesting a supplementary document, which was promptly addressed. There is no assurance that the Company will complete the acquisition of the Lawrenceville Property or obtain a Dispensary License, or that the Company will be able to finance such acquisition or investment. Additional funds may be required to enable the Company to complete such acquisition and pursue such an initiative and the Company may be unable to obtain such funding on acceptable terms or at all.

EMAL Clinics

In August 2014, the Company incorporated EMAL, a 51% owned subsidiary with a view of carrying out a medical advisory business jointly with EMAL Partner. EMAL Partner's principals currently own two retail establishments called "The Dragon", an established marijuana paraphernalia retailer with a strong traffic flow of people seeking Medical Marijuana.

EMAL has entered into a lease agreement with a company controlled by the shareholders of EMAL Partner to open the EMAL Clinic. Pursuant to the terms of the lease, EMAL shall pay EMAL Partner \$1,000 per month and cover the cost of utilities for the initial term of one year from the date of signing. The lease can be terminated by EMAL by giving two month notice to EMAL Partner. EMAL has also entered into consulting agreement with a medical doctor who will assess EMAL's potential patients and provide additional advisory services as to how Medical Marijuana can help their condition. EMAL may hire additional staff, including a nurse practitioner to assist with the advisory services to potential patients. EMAL will charge the patients advisory fees for providing the educational services. Assessment fees received by EMAL from OHIP will be paid to EMAL's medical staff, and any additional educational and advisory fees will be retained by EMAL. The Company is evaluating a potential revenue model around the Subscription Site.

The Company's objective is to establish its first Clinic in the third quarter of fiscal 2015. The Company expects revenue from its Medical Advisory and Retail Segment in the first quarter of 2015, and anticipates moving forward with opening its second clinic in the vicinity of EMAL Partner's second store in the second quarter of 2015. EMAL Clinics will operate under the name of "Canna Health Clinic".

EMAL Partner is not a related party to the Company or any of its officers or directors.

MMPR Options

NHL has entered into two option agreements to purchase interests in companies that have applied for a license to produce Medical Marijuana under MMPR. The terms of the options are as follows:

- (i) **Haldimand Option.** The Company may exercise the option, at its sole discretion, by (i) paying a fee of \$62,500 within 10 days of the optionor receiving the "ready to build" letter from Health Canada in Common Shares at a deemed price of \$0.025, and (ii) within 10 days from the date optionor satisfies all requirements with Health Canada to become a licensed producer pay a fee of \$187,500, payable in Common Shares at a deemed price of \$0.025 per share. The Company will then be responsible for 50% of the development costs required to bring the facility up to commercial production. The site includes 48 acres of vacant land zoned for agricultural use is available for the construction of further facilities to expand future production capacity, should such be required. The optionor of the Haldimand Option submitted the initial application to Health Canada and additional information was provided on July 11, 2014 on Health Canada's request. On November 13, 2014, Health Canada advised the optionor that the application is currently at the "Enhanced Screening Stage". Since then, to the Company's knowledge, no further communication has taken place in respect of the application.
- (ii) **Northumberland Option.** The Company issued 150,000 Series II Warrants pursuant to this option agreement. The Company may exercise the option, at its sole discretion by (i) issuing 625,000 Common Shares to the optionor at an effective issue price of \$0.10 per share within 14 days from the date the optionor notifies the Company of the receipt of a "ready to build" letter from Health Canada and paying in cash the positive difference between the current value of the shares and \$62,500, and (ii) issuing 1,875,000 Common Shares to the optionor at a deemed issue price of \$0.10 per share within 14 days from the date the optionor notifies the Company of the receipt of a Licence from Health Canada in respect of the facility and paying in cash the positive difference between the current value of the shares and \$187,500. The Company will then be responsible for 100% of the development costs required to bring the facility up to commercial production. The optionor of the Northumberland Option submitted the initial application to Health Canada on June 25, 2014. To the Company's knowledge, no further communication has taken place in respect of the application.

As the Company's decision to exercise either option and the timing of such exercise is dependent on Health Canada's decision with respect to each application, timing for the exercise of each option cannot be predicted at the current time.

MMPR Licence Approval Process

The following is only a summary of the requirements and process to obtain an MMRP licence from Health Canada. The full requirements can be viewed on the Health Canada website at www.hc-sc.gc.ca. In order to obtain an MMRP licence, an applicant (being the optionor of each of the Haldimand Option and the Northumberland Option) must do the following:

- The directors and officers must be identified by name, date of birth and gender and indicate whether each holds a valid security license.
- The applicant must designate personnel who will oversee licensed activities at the site. The designated persons must be adults and familiar with the CDSA and its regulations; and the FDA.
- The applicant must designate a senior person in charge ("**SPIC**") responsible for overall management of the activities of the licensed producer who will work at the site, be responsible for supervising the licensed activities, and ensuring that they comply with the CDSA, its regulations and the FDA. The applicant must designate at least one alternate responsible person in charge ("**APIC**") to be responsible when the SPIC is absent.
- All officers and directors of the corporation, the proposed SPIC, the proposed APIC(s) must each obtain a security clearance.
- The application must identify the type of activities they propose to carry out; a description of the substances related to each activity, the building name and address where each of the activities will take place and the purpose for conducting the activities. The activities relating to dried marijuana and/or the plant itself or seeds include possession, sale or provision, shipping, transportation or delivery, destruction and/or production.
- The application must state the maximum net weight quantity in kilograms of dried marijuana to be produced within a production period and the maximum quantity in kilograms of dried marijuana to be sold to eligible persons within a specified period.
- If the applicant wishes to conduct in vitro testing with respect to cannabis derivatives, preparations and similar synthetic preparations other than marijuana necessary for in vitro testing, these must be identified along with the activities related thereto.
- With respect to the building or place in a building to be used, the applicant must provide the address, and it is expected, a site or floor plan of the building or floor thereof.
- If the applicant is the owner of the entire proposed site a declaration must be signed by the SPIC, and otherwise a declaration must be obtained from the site owner that they are fully aware of the activities proposed in the application and consent to those activities being carried out on the site.
- The proposed security measures must meet the requirements set out in the Directive on Physical Security Requirements for Controlled Substances in the MMRP, including:
 - The perimeter of the site must be visually monitored at all times by visual recording devices to detect attempted or actual unauthorized access.
 - The areas within a site where cannabis is present must be visually monitored at all times by visual recording devices to detect illicit conduct.

- The visual recording devices must be capable of recording attempted or actual unauthorized access in a visible manner.
- The perimeter of the site and areas within a site where cannabis is present must be secured at all times by an intrusion detection system capable of detecting attempted and actual unauthorized access to or movement in the site, or tampering with the system.
- The intrusion detection system must be monitored at all times by personnel who can determine the appropriate steps to take in response to any detected activity that is unauthorized.
- In the case of any detected activity, the personnel must record the date and time of the detected matter and the measures taken in response to it. Personnel must also record the date and time when measures were taken.
- Access to areas within a site where cannabis is present must include physical barriers that prevent unauthorized access and must be limited to personnel who require access to the areas to perform their work responsibilities. Records must be kept of each person entering or exiting these areas.
- All areas within a site must be equipped with a system that filters air to prevent the escape of odours and, if present, pollen.

Before a License can be issued, compliance with the site and physical security requirements under the MMPR and Health Canada Directive on Physical Security Requirements for Controlled Substances must be verified through a pre-license inspection conducted by Health Canada.

- The applicant must provide a written notice to local authorities of their intention to submit an application, the facility location and the proposed activities. The application must include the name, title and address of a senior official of the local police force or Royal Canadian Mounted Police detachment responsible for providing policing services to the area in which the proposed site is located, the local fire authority of that area and the local government (for example, municipality) of that area, and a copy of each notice.
- A licensed producer must have an employee designated as a quality assurance person who is responsible for assuring the quality of the dried marijuana, before it is made available for sale. This employee must have the training, experience and technical knowledge related to the proposed licensed activities and the requirements of the MMPR. The applicant must submit a document signed and dated by the quality assurance person that includes a description of the quality assurance person's qualifications in respect of the proposed licensed activities and the requirement of the MMPR and a report establishing that the buildings, equipment and proposed sanitation program to be used in conducting the proposed activities referred in the MMPR comply with the regulatory requirements.
- The applicant must submit a detailed description of their proposed record keeping methods. This must include a description of the process that will be used for recording transactions relating to licensed activities, including maintaining appropriate records of transactions and dealings with both suppliers and clients.

Phase I – Initial Application Submission

As a part of the initial submission, the applicant must submit a comprehensive summary of the personnel, positions and respective security clearances. The submission must name a senior person in charge, responsible person in charge, alternate responsible person in charge and quality assurance person, and appropriate security clearances must be obtained. The submission also requires consents from third parties (property owner, local government, police and fire authorities). The applicant must include a security plan with descriptions of the security measures and floor plans, as well as quality assurance pre-licensing report. The applicant must include a record keeping plan and a facility plan designed to incorporate the security and quality control design, including an HVAC and electrical systems design.

Phase II – Initial Review

Once the application is submitted it is assessed by Health Canada, a first round of comments and deficiencies is provided. Upon meeting the initial requirements and Health Canada is satisfied that the application is complete a Ready To Build Letter is issued.

Phase III - Construction

Subject to securing the requisite financing, the applicant may proceed with executing the Development Plan included in the application.

Phase IV - Inspection and License

Upon completion of the Development Plan, Health Canada inspects the facility to ensure that the facility is built according to the plan outlined in the application. If the inspection is successful, the MMPR License is issued.

USE OF PROCEEDS

Total Funds Available

The net funds expected to be available to the Company upon completion of the Minimum Offering and Maximum Offering and the expected principal purposes for which such funds will be used are described below:

Sources	Funds Available on completion of Minimum Offering	Funds Available on completion of the Maximum Offering	Funds Available on completion of the Maximum Offering and if Over-Allotment Option is Exercised in full
Gross Proceeds	\$1,200,000	\$2,500,000	\$2,875,000
Net Working Capital ⁽¹⁾	(\$358,391)	(\$358,391)	(\$358,391)
Agent's Commission ⁽²⁾	\$96,000	\$200,000	\$230,000
Total Funds Available:	\$745,609	\$1,941,609	\$2,286,609

Notes:

- (1) Unaudited estimate of the net working capital as of December 31, 2014, including cash from exercise of Series I Warrants pursuant to Early Exercise Provision.
- (2) Assumes an Agent's Commission of 8% on all sales.

Principal Purposes

The Company intends to use its estimated total funds available for the 12-month period following the completion of the Offering as follows:

Principal Purpose	Amount Allocated on completion of the Minimum Offering⁽¹⁾	Amount Allocated on completion of the Maximum Offering⁽¹⁾	Amount Allocated on completion of the Maximum Offering if Over-Allotment Option is Exercised in full⁽¹⁾
Marijuana-Infused Products Segment			
Pueblo Location Outfitting and Equipment	Nil	\$733,139 ⁽²⁾	\$733,139 ⁽²⁾
Marijuana-Infused Products Segment Cash Expenses	\$74,400	\$215,760	\$215,760
Packaging Development	\$5,296	\$5,296	\$5,296
Loan to Palo Verde ⁽³⁾	\$148,800	\$148,800	\$148,800
Medical Advisory and Retail Segment			
Medical Advisory and Retail Segment Cash Expenses	\$13,800	\$21,300	\$21,300
Website Development	\$10,000	\$10,000	\$10,000
Corporate Expenses			
Listing and Offering Expenses	\$120,000	\$120,000	\$120,000
Interest Payments	\$36,000	\$36,000	\$36,000
Corporate General And Administrative	\$336,456	\$432,456	\$432,456
Unallocated Working Capital	\$857	\$218,858	\$563,858
Total	\$745,609	\$1,941,609	\$2,286,609

Notes:

- (1) Expenses are denominated in USD and converted into CAD at a rate of \$1.24.
- (2) The buildout expenses are completely within the discretion of the Company and subject to an interest rate to be negotiated in the event that such funds are lent to Palo Verde for such purposes.
- (3) To date, US\$30,000 has been advanced to Palo Verde under the Revolving Loan Agreement. The table above provides for the balance of US\$120,000.

No portion of the proceeds of the Offering have been allocated to either the potential Illinois operations or the MMPR Options due to the fact that the Company cannot say with certainty whether any of the regulatory applications associated with such operations will be approved. If the Company receives one or more of the necessary approvals and decides to proceed with such business(es) it may seek additional debt or equity financing which may not be available on terms acceptable to the Company, or at all. See "*The Business – Medical Advisory and Retail Segment – Significant Events, Milestones and Business Objectives – Lawrenceville Property Acquisition and Dispensary License Application*", "*Use of Proceeds – Other Sources of Funding*" and "*Risk Factors – The Company may not be able to accurately predicts its future capital needs and may not be able to secure additional financing.*"

The Company had negative cash flows from operations for the most recently completed financial year as the Company began operations in April 2014. See "*Risk Factors - The Company has a very limited operating history in an emerging area of business and had negative cash flows from operations in its most recently completed financial year.*" The Company intends to spend the available funds for the principal purposes as indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds in order to fulfill all of the Company's expenditure requirements to meet its objectives. See "*Risk Factors*". There is no assurance that additional funding required by the Company will be available if required. However, it is anticipated that the available funds will be sufficient to satisfy the Company's objectives over the 12 months following completion of the Offering.

The investment policy for unallocated funds will be determined by the directors of the Company. Until such time as unallocated funds are required for use as working capital, the Company plans to invest such funds in securities of, or those guaranteed by, the Government of Canada, any province or territory thereof or the Government of the United States of America, in certificates of deposit or in interest bearing accounts of Canadian chartered banks and/or trust companies, or a combination thereof.

Business Objectives and Milestones

The Company's primary objectives for the 12 months following the completion of the Minimum Offering include the following:

Marijuana-Infused Products Segment

- (a) **Lease the Pueblo Location to Palo Verde.** As the acquisition of the Pueblo Location has been completed, the two leases previously executed with Palo Verde are now effective. The leases provide for the use of such premises on an "as is" basis without the Company incurring any build out or equipment costs. The Company's management does not foresee significant capital outlays in the event that only the Minimum Offering is completed. In such event, the Company will continue to work with Palo Verde to secure alternative sources of financing, such as equipment loans to allow Palo Verde to execute its business plan.
- (b) **Finalize the packaging for its brands.** A branding specialist has been engaged to design packaging and the process is sufficiently underway to meet the goal of finalizing the packaging well ahead of the target completion date of 12 months after the completion of the Offering.
- (c) **Execute commercial agreements with one or more Royalty Producers to provide the Company's brands, recipes and other know-how in the production of Retail Marijuana-Infused Products to such Royalty Producers.** The Company owns intellectual property (recipes and know-how) and has made significant progress in developing its brands, including finishing preliminary packaging for the products, developing three initial product lines and filing trademark applications in Canada and the United States to protect its intangible asset base. As such, the Company's management believes that it is well positioned to continue pursuing opportunities with Licensed Operators in Colorado to provide its brands and recipes under royalty agreements. To this end, in addition to Palo Verde, the Company has received indications of interest from at least two other Licensed Operators in respect of entering into royalty agreements.
- (d) **Provided that the Maximum Offering is completed, acquire the equipment to manufacture edible Retail Marijuana-Infused Products and Marijuana Concentrate and lease the equipment to a Royalty Producer.** Management of the Company estimates that the equipment identified has the capacity to process 40 pounds of Retail Marijuana per four-hour cycle into Marijuana Concentrate, and the confectionary depositor/printer has the capacity to produce up to 350 pounds of confectionary products per hour (provided that each products weighs half an ounce). Management expects this capacity to be well beyond the initial production needs of a Royalty Producer.

Medical Advisory and Retail Segment

- (a) **Establish the first EMAL Clinic and commence generating revenue with a view to opening the second clinic in the vicinity of EMAL Partner's second store.** Test operations have launched at the first clinic and a full commercial launch is planned in the third quarter of fiscal 2015. Opening of the second clinic will be evaluated after the full commercial launch of the first EMAL Clinic.
- (b) **Acquire or develop an Educational Web Site.** The Company expects to acquire or develop an Educational Web Site to compliment the EMAL Clinics.

Other Sources of Funding

None of the proceeds from the Offering will be allocated to (i) the potential operations in Illinois, (ii) the Northumberland Option, or (iii) the Haldimand Option. In the event that (i) NHCI is successful in obtaining the

Dispensary License, the Company may seek additional debt financing for the acquisition of the Lawrenceville Property, (ii) the Company exercises either or both of the Northumberland Option and the Haldimand Option, the Company may seek additional financing to fund such operations.

DIVIDENDS

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future.

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following table summarizes the audited financial information of the Company for the last two completed financial years ended July 31, 2014 and 2013 and for the three month period ended October 31, 2014. This summary financial information should only be read in conjunction with the Company's financial statements, including the notes thereto, included elsewhere in this Prospectus.

	Unaudited Financial Information for the Three Month Period Ended October 31,	Audited Financial Information for the Year Ended July 31,	
	2014 (\$)	2014 (\$)	2013 (\$)
Total revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(382,727)	(681,155)	(73,675)
Net income (loss) for the period	(382,727)	(681,155)	(73,675)
Basic and diluted income (loss) per share ⁽¹⁾	(0.005)	(.012)	(0.008)
Total assets	612,592	695,477	Nil
Current liabilities	250,158	220,150	176,667
Total long-term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion And Analysis Of Financial Condition of the Company And Results Of Operations for the Three Month Period Ended October 31, 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 Subordinated 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, Stasis 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		<ul style="list-style-type: none"> 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.

Management's Discussion And Analysis Of Financial Condition of the Company And Results Of Operations for the Period from Incorporation to July 31, 2014

Management's discussion and analysis (MD&A) is current to October 28, 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 audited consolidated financial statements and related notes 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'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 ("**Edibles**"), NH Medical Dispensaries Inc. ("**Dispensaries**"), and Eglinton Medicinal Advisory Ltd ("**EMAL**"). 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.

As at October 28, 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

Reverse Takeover

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." 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 Common Share purchase warrants issued pursuant to the Northumberland Option were exchanged on a one-for-one basis in connection with the Acquisition. The Acquisition therefore constituted a reverse takeover of the Company by NHL.

NHL is considered to be the acquirer for purposes of recording the Acquisition and the financial statements are therefore, a continuation of the financial statements of NHL, adjusted to reflect the legal capital of the Company. NHL's date of incorporation was April 17, 2014, and as a result of the Acquisition, the combined results of operations are included from June 27, 2014. Therefore, there are no comparative figures.

Fair value of assets and liabilities acquired:

Cash	\$121,279
Accounts payable and accrued liabilities	\$(189,262)
Net liabilities acquired	\$(67,983)

The Acquisition has been accounted for at the fair value of the equity instruments granted by the shareholders of NHL to the shareholders of Sonoma. The difference between the fair value of the consideration paid of \$287,840 (based upon the fair value of NHL Shares just prior to the Acquisition) and the Sonoma net liabilities acquired of \$67,983 in the amount of \$355,823, has been recognized as a listing expense in the statement of comprehensive loss for the period ended July 31, 2014.

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.

Marijuana-Infused Products Segment

Pueblo Location

NHL has entered into the Pueblo PSA to purchase the Pueblo Location. 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. The total purchase price is US\$885,000 and closing is conditional on the Company securing a tenant that is a Licensed Operator (which has been completed). In Colorado, due to Residency Requirements, the Company's operations in the Marijuana-Infused Products Segment are dependent on its agreements with Royalty Producers. In this regard, the Company has entered into agreements with Palo Verde LLC ("**Palo Verde**") (set out below).

The closing date for the acquisition of the Pueblo Location is scheduled to take place on or about November 14, 2014. The Company expects to obtain a mortgage or mortgages in the aggregate amount of approximately US\$550,000 to finance the debt portion of the acquisition costs of the Pueblo Location, assuming 60/40 loan-to-value ratio (commensurate with the current market rates for similar properties in the opinion of the Company's management). The mortgages may be non-traditional mortgages obtained from third parties and/or a combination of third parties and insiders, where the mortgage amount is convertible into Common Shares (or units consisting of a combination of Common Shares and Common Share purchase warrants) at a premium to the Offering Price. The remainder of the purchase price will be funded by the Company through working capital. There is no assurance that the Company will obtain the debt financing at a favourable rate or at all. The financing of the purchase price of the Pueblo Location may change if the Company is unable to obtain debt financing.

On September 14, 2014, NHC entered into the Interim Lease Agreement with the vendor of the Pueblo Location for the purpose of the initial set-up and access. The interim lease carries a 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.

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

- Two real property leases over two of the three buildings at the Pueblo Location, conditional on the completion of the acquisition of the Pueblo Location and Palo Verde receiving applicable licenses, subject to a 5% annual increase, and having a term of two years with an option to renew for an additional four years. Both leases carry an annual rate of US\$15 per square feet. The lease for the growing operation covers an area of 15,000 square feet. The lease for the Marijuana-Infused Product manufacturing covers an area of 11,000 square feet. Under the terms of the lease agreements, 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 the Company.
- 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. 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 into such agreement with the Palo Verde by 2014 year end. Such agreement is conditional on approval of the MED.

Medical Advisory and Retail Segment

The Company's Medical Advisory and Retail Segment is 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.

Lawrenceville Property Acquisition and Dispensary License Application

NHCI has entered into an agreement to purchase the Lawrenceville Property. The total purchase price for the Lawrenceville Property is US\$350,000 and closing is conditional on the receipt of environmental documentation if available by the seller, NHCI applying for a Dispensary License by September 15, 2014 (completed) and successfully obtaining a Dispensary License. The Company has paid US\$5,000 in refundable funds as a deposit on the property. The purchase and sale agreement in regards to Lawrenceville Property provides that the closing of the acquisition of the Lawrenceville Property shall occur within 30 days of NHCI receiving the Dispensary License.

NHCI submitted an application for the Dispensary License in September 2014. There is no assurance that the Company will complete the acquisition of the Lawrenceville Property or obtain a Dispensary License, or that the Company will be able to finance such acquisition or investment. Additional funds may be required to enable the Company to complete such acquisition and pursue such an initiative and the Company may be unable to obtain such funding on acceptable terms or at all.

Clinic Business

In August 2014, the Company incorporated EMAL, a 51% owned subsidiary with a view of carrying out a medical advisory business jointly with EMAL Partner. EMAL Partner's principals currently own two retail establishments called "The Dragon", an established marijuana paraphernalia retailer with a strong traffic flow of people seeking Medical Marijuana.

EMAL has entered into a lease agreement with a company controlled by the shareholders of EMAL Partner to open the EMAL Clinic. Pursuant to the terms of the lease, EMAL shall pay EMAL Partner \$1,000 per month and cover the cost of utilities for the initial term of one year from the date of signing. The lease can be terminated by EMAL by giving two month notice to EMAL Partner. EMAL has also entered into consulting agreement with a medical doctor who will assess EMAL's potential patients and provide additional advisory services as to how Medical Marijuana can help their condition. EMAL may hire additional staff, including a nurse practitioner to assist with the advisory services to potential patients. EMAL will charge the patients advisory fees for providing the educational services. Assessment fees received by EMAL from OHIP will be paid to EMAL's medical staff, and any additional educational and advisory fees will be retained by EMAL. The Company is evaluating a potential revenue model around the Subscription Site.

The Company's objective is to establish its first Clinic by November 2014. The Company expects revenue from its Medical Advisory and Retail Segment in the last quarter of 2014, and anticipates moving forward with opening its second clinic in the vicinity of EMAL Partner's second store before the end of 2014. EMAL Clinics will operate under the name of "Canna Health Clinic".

MMPR Options

NHL has entered into two option agreements to purchase interests in companies that have applied for a license to produce Medical Marijuana under MMPR. The terms of the options are as follows:

- (i) **Haldimand Option.** The Company may exercise the option, at its sole discretion, by (i) paying a fee of \$62,500 within 10 days of the optionor receiving the "ready to build" letter from Health Canada in Common Shares at a deemed price of \$0.025, and (ii) within 10 days from the date optionor satisfies all requirements with Health Canada to become a licensed producer pay a fee of \$187,500, payable in Common Shares at a deemed price of \$0.025 per share. The Company will then be responsible for 50% of the development costs required to bring the facility up to commercial production. The site includes 48

acres of vacant land zoned for agricultural use is available for the construction of further facilities to expand future production capacity, should such be required.

- (ii) **Northumberland Option.** The Company issued 150,000 Series II Warrants pursuant to this option agreement. The Company may exercise the option, at its sole discretion by (i) issuing 625,000 Common Shares to the optionor at an effective issue price of \$0.10 per share within 14 days from the date the optionor notifies the Company of the receipt of a "ready to build" letter from Health Canada and paying in cash the positive difference between the current value of the shares and \$62,500, and (ii) issuing 1,875,000 Common Shares to the optionor at a deemed issue price of \$0.10 per share within 14 days from the date the optionor notifies the Company of the receipt of a Licence from Health Canada in respect of the facility and paying in cash the positive difference between the current value of the shares and \$187,500. The Company will then be responsible for 100% of the development costs required to bring the facility up to commercial production.

As the Company's decision to exercise either option and the timing of such exercise is dependent on Health Canada's decision with respect to each application, timing for the exercise of each option cannot be predicted at the current time.

Financing Developments

On April 17, 2014, the Company issued 33,000,000 common shares (each, a "**NHL Share**"), valued at \$0.005 per share for gross proceeds of \$165,000. On May 12, 2014, the Company issued 400,000 NHL Shares, valued at \$0.005 per share for gross proceeds of \$2,000.

On May 16, 2014, NHL completed the first tranche of its non-brokered private placement of 22,106,853 units ("**NHL Units**") at a price of \$0.025 per NHL Unit for gross proceeds of \$552,671. Each NHL Unit consisted of one NHL Share and one half of one share purchase warrant of NHL (each whole warrant, a "**NHL Warrant**"), with each NHL warrant exercisable into one NHL Share at a price of \$0.05 per NHL Share until the earlier of 36 months from the date of issuance or 18 months following the date of a business combination between NHL and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction ("reverse takeover") or IPO.

On May 30, 2014, NHL completed the second tranche of its non-brokered private placement of 2,180,798 NHL Units for gross proceeds of \$54,520.

On June 20, 2014, NHL completed the third tranche of its non-brokered private placement of 2,712,360 NHL Units for gross proceeds of \$67,809.

For the period ended July 31, 2014 the Company issued 11,440,798 Common Shares valued at \$76,020 as compensation for services where the fair value of shares was determined based on the value of services received.

On October 8, 2014, the Company completed the Private Placement of 4,000,000 units at \$0.025 per unit for gross proceeds of \$100,000. Each unit consisted of one Common Share and one-half of one Series I Warrant, with each whole Series I Warrant exercisable into one Common Share at a price of \$0.05 per share for a period of 18 months from closing.

Overall Performance

As at July 31, 2014, the Company had assets of \$695,477, liabilities of \$220,150 and shareholders' equity of \$475,327. During the period ended July 31, 2014, the Company incurred a loss of \$681,155.

At July 31, 2014, the Company had working capital of \$453,375 and cash of \$617,066.

Selected Annual Information

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

		Period ended July 31, 2014
Total expenses	\$	(681,155)
Other income		-
Net loss		(681,155)
Loss per share		(0.12)
Total assets		695,477
Total liabilities		220,150
Shareholders' equity	\$	475,327

Period ended July 31, 2014

The Company incurred a net loss of \$681,155 or \$0.12 per common share for the period ended July 31, 2014.

Management and consulting fees totaled \$176,244 during the period ended July 31, 2014, and primarily consisted of services provided by Foundation Opportunities Inc., for strategic leadership, Branson for financial accounting, including CFO services and the President and CEO of the Company.

Professional fees, consisting of legal and audit fees, totaled \$88,231 during the period ended July 31, 2014.

The Company incurred \$32,857 in office and general expenses during the period ended July 31, 2014, which consisted primarily of travel and entertainment, printing and other miscellaneous costs.

The Company incurred share based payments for the period ended July 31, 2014, of \$28,000. Share based payments are recorded based on the valuation of options using the Black-Scholes model.

The Company incurred listing expense of \$355,823 in connection with the reverse takeover transaction, with fair value of share consideration paid of \$287,840 in excess of net liabilities acquired of \$67,983.

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 July 31, 2014, the Company had current assets of \$673,525, current liabilities of \$220,150 and working capital of \$453,375.

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

	Total	Less Than 1 Year	1 to 2 Years	Greater than 2 Years
Accounts payable, accrued liabilities and unissued share capital	\$220,150	\$220,150	-	-
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 Adam Szweras, an officer of the Company, is a director. 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 period ended July 31, 2014, NHL was charged \$59,000 by FOI. At July 31, 2014, \$4,550 is included in accounts payable and accrued liabilities in relation to FOI.

NHL and Branson Corporate Solutions 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 27, 2014, to include a success fee of \$30,000, payable upon successful completion of the Offering. For the period ended July 31, 2014, the Company recorded \$9,000 for management services provided by Branson. At July 31, 2014, \$Nil is included in accounts payable and accrued liabilities in relation to Branson.

During the period ended July 31, 2014, Fogler, Rubinoff LLP ("**Fogler**") a law firm in which Adam Szweras an officer of the Company is also a partner, provided \$59,781 of legal services, which are included in professional fees. As at July 31, 2014, \$76,902 due to Fogler is included in accounts payable and accrued liabilities.

On May 1, 2014, NHL entered into a general consultancy agreement with Stasis Rizas, a significant, but not controlling, shareholder. Mr. Rizas provided \$15,000 of consulting services during the period ended July 31, 2014. As at July 31, 2014, \$15,000 is included in accounts payable and accrued liabilities.

During the period ended July 31, 2014, \$59,000 was paid to the Company's Chief Executive Officer. As at July 31, 2014, \$9,550 is included in accounts payable and accrued liabilities.

On April 17, 2014, NHL issued 10,000,000 NHL Shares to insiders and related parties for settlements of outstanding fees as follows: \$30,000 to the Company's Chief Executive Officer, and \$20,000 to FOI. No Warrants were issued pursuant to settlements by insiders and related parties. On May 30, 2014, an additional 600,000 NHL Shares were issued to FOI to settle advisory fees of \$15,000 then owing, all of which were exchanged for Common Shares of the Company pursuant to the Acquisition on a one for one basis.

Disclosure of outstanding share data as of October 28, 2014

	Authorized	Outstanding
Voting or Equity securities issued and outstanding	Unlimited Common Shares	75,913,631 Common Shares
Securities convertible or exercisable into voting or equity		a) Options to acquire up to 3,200,000 Common Shares b) 15,650,006 warrants exercisable to acquire Common Shares of the Company

Off-Balance Sheet Arrangements

As of July 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 note receivable 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 July 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 July 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 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 and loan 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 and loan 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 July 31, 2014, the Company had a cash balance of \$673,525 and current liabilities of \$220,150.

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 period ended July 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 July 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 audited 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 audited consolidated financial statements 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 audited consolidated financial statements with management. The Board of Directors has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

Management's Discussion And Analysis Of Financial Condition of Sonoma Capital Inc. And Results Of Operations for the Three and Nine Month Period Ended April 30, 2014 and 2013

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine month periods ended April 30, 2014 and 2013 and the audited consolidated financial statements for the years ended July 31, 2013 and 2012 of Sonoma Capital Inc. ("**Sonoma**", the predecessor entity to the Company). All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Sonoma's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A.

Forward-Looking Information

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these 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, but cautions the reader that they could cause actual results to differ materially from those anticipated.

Company Overview

Sonoma Capital Inc.

Sonoma Capital Inc. was incorporated under the CBCA on July 19, 2004 and is a reporting issuer that is currently not listed or quoted on a marketplace. Sonoma has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a transaction.

On October 3, 2011, Sonoma incorporated a new 100% wholly owned subsidiary called Sonoma Energy, Inc., in Nevada, USA.

Sonoma's consolidated financial statements include the accounts of Sonoma and its wholly owned subsidiary Sonoma Energy, Inc.

On January 31, 2007, Sonoma filed a final prospectus relating to the issue and sale of a minimum of 1,750,000 common shares and a maximum of 3,000,000 common shares at the price of \$0.20 per common share for total net proceeds of a minimum of \$350,000, excluding the underwriter's fees and other issuance fees of \$120,000, and a maximum of \$600,000, excluding the underwriter's fees and other issuance fees of \$140,000. Sonoma was unable to complete this initial public offering. As at July 31, 2007, the final prospectus is no longer offered to the public.

Due to costs associated with the failed initial public offering, Sonoma did not have sufficient cash to meet its continuous disclosure obligations, as required by securities regulations. This resulted in a cease trading order being issued against Sonoma by the securities regulatory authorities. On August 26, 2010 such cease trade order was lifted. Management believes that Sonoma can meet its continuous disclosure obligations in the future.

Sonoma is focused on seeking financing and acquisition opportunities.

Sonoma proposes to identify and evaluate potential business opportunities, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that Sonoma will identify an appropriate business for acquisition or investment and even if so identified and warranted, Sonoma may not be able to finance such acquisition or investment. Additional funds may be required to enable Sonoma to pursue such an initiative and Sonoma may be unable to obtain such funding on acceptable terms.

Management anticipates that ongoing costs relating to the identification, evaluation, due diligence, negotiation and completion of an acquisition or adoption and execution of a new business plan will be incurred in future periods. The timing and magnitude of these costs is not predictable. These costs may be significant and could possibly result in higher general and administrative expenses.

Recent Developments

New Strategic Direction Discussions

Sonoma is a reporting issuer but is not listed on any stock exchange. The board of directors has determined that it is in the best interests of Sonoma to set a strategic direction and begin a listing process. The directors and management have begun discussions and are reviewing various go forward opportunities.

Private Placements

During the nine month period ended April 30, 2014, Sonoma issued 904,000 shares (2013 – nil shares) to Cavalry Corporate Solutions Ltd. ("**Cavalry**"), a related party, to settle debts in the amount of \$22,600 (2013 - \$nil).

During the nine month period ended April 30, 2014, Sonoma issued 1,009,620 shares (2013 – nil shares) to Foundation Opportunities Inc. ("**FOI**"), a related party, to settle debts in the amount of \$25,241 (2013 - \$nil).

Loans

On May 27, 2014, Sonoma received a loan in the amount of \$35,000 from Nutritional High Ltd., an unrelated party, bearing interest at 10% per annum. In the event of default the note is repayable immediately.

Acquisition

On June 27, 2014, Sonoma completed the acquisition of all issued and outstanding shares of Nutritional High Ltd., and changed its name to Nutritional High International Inc.

Selected Annual Information

Summarized selected financial information with respect to Sonoma for the nine months ended April 30, 2014, and years ended July 31, 2013 and 2012, is as follows:

	Nine months ended April 30, 2014	Year ended July 31, 2013	Year ended July 31, 2012
Total expenses	\$ 40,848	\$ 73,675	\$ 147,021
Other expenses (income):			
Loss on write down of note receivable	-	-	217,107
Forgiveness of debt	(105,575)	-	-
Recovery of expenses	-	-	(4,990)
Interest income	-	-	(12,107)
Net income (loss) and comprehensive income (loss)	<u>64,727</u>	<u>(73,675)</u>	<u>(347,031)</u>
Income (loss) per share	0.006	(0.008)	(0.038)
Total assets	-	-	34
Total liabilities	64,099	176,667	103,026
Shareholders' deficiency	(64,099)	(176,667)	(102,992)

Results of Operations

Three month period ended April 30, 2014 compared to 2013

Sonoma recorded a gain of \$106,839 during the three month period ended April 30, 2014 compared to a loss of \$20,804 during the three month period ended April 30, 2013. The decrease in loss is mainly attributable to a gain on forgiveness of debt of \$105,575 during the period.

Professional fees during the three month period ended April 30, 2014 were \$3,256 compared to \$3,806 for the comparative period in the prior year and represent legal and accounting fees. The legal and accounting fees were associated with advice on regulatory compliance and to maintain Sonoma's accounting records. The amounts remained consistent between the two periods.

Consulting fees totalled \$(4,520) during the three month period ended April 30, 2014, compared to \$16,998 for the comparative period in the prior year. Consulting fees included the provision of financial accounting services and strategic advisory services. The negative amount for the current period is due to fees forgiven during the period.

During the three month period ended April 30, 2014 Sonoma recorded a gain on forgiveness of debt of \$105,575 (2013 - \$nil) on the forgiveness of accounting fees over billed in the period.

Loss per share during the three month period ended April 30, 2014 was \$0.010 compared to \$(0.002) during the comparative period in the prior year.

Nine month period ended April 30, 2014 compared to 2013

Sonoma recorded a gain of \$64,727 during the nine month period ended April 30, 2014 compared to a loss of \$55,214 during the nine month period ended April 30, 2013. The decrease in loss is mainly attributable to a gain on forgiveness of debt of \$105,575 during the period.

Professional fees during the nine month period ended April 30, 2014 were \$11,427 compared to \$4,244 for the comparative period in the prior year and represent legal and accounting fees. The legal and accounting fees were associated with advice on regulatory compliance and to maintain Sonoma's accounting records. The increase is due to recovery of professional fees for credit notes received in the comparable period.

Consulting fees totalled \$29,380 during the nine month period ended April 30, 2014, compared to \$50,898 for the comparative period in the prior year. Consulting fees included the provision of financial accounting services and strategic advisory services. The decrease is due to a decrease in monthly billings for accounting services and forgiveness of prior fees.

During the nine month period ended April 30, 2014 Sonoma recorded a gain on forgiveness of debt of \$105,575 (2013 - \$nil) on forgiveness of accounting fees in the period.

Income (loss) per share during the nine month period ended April 30, 2014 was \$0.006 compared to \$(0.006) during the comparative period in the prior year.

Summary of Quarterly Results

The following table presents selected financial data of Sonoma for its last eight quarters as reported in the particular period:

Quarter	Net Income (Loss)	Income (Loss) per share
Q3 2014	106,839	0.010
Q2 2014	(22,656)	(0.002)
Q1 2014	(19,456)	(0.002)
Q4 2013	(18,461)	(0.002)
Q3 2013	(20,804)	(0.002)
Q2 2013	(18,362)	(0.002)
Q1 2013	(16,048)	(0.002)
Q4 2012	\$(224,744)	\$(0.023)

Liquidity

Sonoma's working capital position has improved since last fiscal year end from a negative working capital position of \$(176,667) at July 31, 2013 to \$(64,099) at April 30, 2014. Sonoma's continued existence as a going concern, as planned, depends on its ability to successfully obtain additional financing. While Sonoma has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future.

Total liabilities were \$176,667 at July 31, 2013 and have decreased to \$64,099 at April 30, 2014. Primarily all amounts in accounts payables and accrued liabilities relate to professional fees for financial accounting, consulting, advisory and legal services.

Shareholders' equity improved from a deficiency of \$176,667 on July 31, 2013 to a deficiency of \$64,099 at April 30, 2014. The change is a result of Sonoma's income of \$64,727 incurred during the nine month period ended April 30, 2014 and the issuance of shares in the amount of \$47,841 for settlement of debt.

Capital Resources

As of April 30, 2014, Sonoma had \$nil (July 31, 2013 - \$nil) of cash. Management acknowledges that Sonoma will be requiring incremental financing from external sources to fund future operations.

Until such time as Sonoma identifies a business enterprise for the acquisition, it is contemplated that the working capital requirements of Sonoma will relate generally to investments made and expenses associated with Sonoma's continuous disclosure obligations under applicable securities legislation, other expenses associated with the listing of the shares, if and when the shares are listed, and costs incurred in identifying, evaluating and executing a potential acquisition or in adopting and executing on a new business plan. The only material ongoing contractual obligations of Sonoma relate to the payment of audit, legal, consulting and accounting fees.

Sonoma's continued existence as a going concern, as planned, depends on its ability to successfully obtain additional financing. While Sonoma has been successful in securing financing in the year, there can be no assurance that it will be able to do so in the future. Should Sonoma be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These statements have been prepared on a going-concern basis which assumes that Sonoma will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

Sonoma plans to pursue additional financing in the immediate future.

Off-Balance Sheet Arrangements

As of April 30, 2014, Sonoma had no off balance sheet arrangements.

Related-Party Transactions

Cavalry Corporate Solutions Ltd. ("**Cavalry**") is related as a result of having officers and directors in common with the Company. Foundation Opportunities Inc. ("**FOI**") is related because it controls Cavalry.

During the nine month period ended April 30, 2014, Cavalry provided \$22,600 (2013 - \$50,850) of financial accounting and consulting services, which is net of \$28,250 of financial accounting fees forgiven.

During the nine month period ended April 30, 2014, the Company recorded a gain on the financial accounting fees forgiven by Cavalry in the amount of \$105,575 (2013 - \$nil)

During the nine month period ended April 30, 2014, FOI provided \$6,780 (2013 - \$nil) of consulting services.

During the nine month period ended April 30, 2014, the Company issued 904,000 shares (2013 – nil shares) to Cavalry to settle debts in the amount of \$22,600 (2013 - \$nil).

During the nine month period ended April 30, 2014, the Company issued 1,009,620 shares (2013 – nil shares) to FOI to settle debts in the amount of \$25,241 (2013 - \$nil).

Included in accounts payable and accrued liabilities as at April 30, 2014 is \$25,291 (July 31, 2013 - \$157,972) in amounts due to related parties.

Share Capital

As at April 30, 2014, Sonoma had authorized unlimited common shares without par value and had issued 11,513,620 common shares. Sonoma has no options or warrants outstanding.

Critical Accounting Estimates

Sonoma's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The critical accounting policies followed by Sonoma are as follows:

Financial instruments

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 and loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Cash is classified as fair value through profit or loss.

Financial assets classified as held-to-maturity and loans and receivables are measured at amortized cost using the effective interest rate method. Notes receivable and other receivables are classified as loans and loans 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 equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which measured at cost.

Transaction costs associated with fair value through profit or loss are expenses as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through the profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. At April 30, 2014 Sonoma has not classified any financial liabilities as fair value through the profit and loss.

Share based payments

Sonoma uses the fair value method of accounting for options granted under share purchase option plans. Options granted to directors, officers and employees are measured at fair value at grant date, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects Sonoma's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation previously included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. Sonoma uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

Accounting estimates and judgments

The preparation of these condensed unaudited interim consolidated financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these condensed unaudited interim consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant estimates used in the preparation of these condensed unaudited interim consolidated financial statements include, among others, the recoverability of other receivable and notes receivable, the fair value of financial assets and liabilities and the recording of accrued liabilities. Actual results may differ from those estimates.

Sonoma is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. It is management's opinion that Sonoma is not exposed to significant interest, or currency risks arising from these financial instruments.

(a) Fair Value

The carrying values of Sonoma's accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

(b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Sonoma is not exposed to any significant credit risk.

(c) Liquidity Risk

Liquidity risk is the risk that Sonoma will not be able to meet its financial obligations as they are due. As at April 30, 2014, Sonoma had \$nil (July 31, 2013 - \$nil) in cash and current liabilities of \$64,099 (July 31, 2013 - \$176,667), which is not sufficient for Sonoma to meet its ongoing obligations. As a result, the ability to do this relies on Sonoma raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Sonoma is susceptible to liquidity risk due to the negative working capital.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations of Sonoma Capital Inc. For The Year Ended July 31, 2013

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with the audited consolidated financial statements for the years ended July 31, 2013 and 2012 of Sonoma Capital Inc. ("**Sonoma**", the predecessor entity to the Company). All figures are in Canadian dollars

unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Sonoma's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. Sonoma has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A.

Forward-Looking Information

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these 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, but cautions the reader that they could cause actual results to differ materially from those anticipated.

Company Overview

Sonoma Capital Inc.

Sonoma was incorporated under the CBCA on July 19, 2004 and is a reporting issuer that is currently not listed or quoted on a marketplace. Sonoma has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a transaction.

On October 3, 2011, Sonoma incorporated a new 100 % wholly owned subsidiary called Sonoma Energy, Inc., in Nevada, USA.

Sonoma's consolidated financial statements include the accounts of Sonoma and its wholly owned subsidiary Sonoma Energy, Inc.

On January 31, 2007, Sonoma filed a final prospectus relating to the issue and sale of a minimum of 1,750,000 common shares and a maximum of 3,000,000 common shares at the price of \$0.20 per common share for total net proceeds of a minimum of \$350,000, excluding the underwriter's fees and other issuance fees of \$120,000, and a maximum of \$600,000, excluding the underwriter's fees and other issuance fees of \$140,000. Sonoma was unable to complete this initial public offering. As at July 31, 2007, the final prospectus is no longer offered to the public.

Due to costs associated with the failed initial public offering, Sonoma did not have sufficient cash to meet its continuous disclosure obligations, as required by securities regulations. This resulted in a cease trading order being issued against Sonoma by the securities regulatory authorities. On August 26, 2010 such cease trade order was lifted. Management believes that Sonoma can meet its continuous disclosure obligations in the future.

Sonoma is focused on seeking financing and acquisition opportunities.

Sonoma proposes to identify and evaluate potential business opportunities, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that Sonoma will identify an appropriate business for acquisition or investment and even if so identified and warranted, Sonoma may not be able to finance such acquisition or investment. Additional funds may be required to enable Sonoma to pursue such an initiative and Sonoma may be unable to obtain such funding on acceptable terms.

Management anticipates that ongoing costs relating to the identification, evaluation, due diligence, negotiation and completion of an acquisition or adoption and execution of a new business plan will be incurred in future periods. The timing and magnitude of these costs is not predictable. These costs may be significant and could possibly result in higher general and administrative expenses.

Sonoma has begun to deploy its resources and has made loans to Caldera Geothermal Inc. ("Caldera"), an alternative energy business. The only other assets are cash which is \$nil as of the year end date. Sonoma has no full time employees and the time committed to Sonoma by officers, directors and other consultants may be limited.

Recent Developments

New Strategic Direction Discussions

Sonoma is a reporting issuer but is not listed on any stock exchange. The board of directors has determined that it is in the best interests of Sonoma to set a strategic direction and begin a listing process. The directors and management have begun discussions and are reviewing various go forward opportunities. In anticipation of acquiring a business or possibly making a limited investment, Sonoma had agreed to provide loans to an alternative energy business known as Caldera.

Private Placements

On August 24, 2011, the board of directors approved a private placement of up to 6,000,000 common shares at \$0.05 per share for gross proceeds of \$300,000. Foundation Markets Inc., an associated entity of Foundation Opportunities Inc., ("**FOI**") was engaged to facilitate the private placement. During the nine month period ended April 30, 2012, the Company issued 5,600,000 common shares at \$0.05 per share for gross proceeds of \$280,000. In addition, Sonoma issued; (a) 100,000 common shares to Walter Lee, a director and shareholder in repayment of a \$5,000 promissory note, and (b) 100,000 common shares to FOI for consulting services rendered valued at \$5,000.

Caldera Geothermal Inc. Promissory Notes

As of July 31, 2013 Sonoma has provided loans to Caldera Geothermal Inc. ("**Caldera**") aggregating \$205,000. The notes receivable bear interest at 8% per annum, are unsecured, due on demand and have no specific repayment date. Management has made the determination that Sonoma will not demand repayment within next twelve months. A total of \$nil (July 31, 2012 - \$nil) of interest receivable is included in HST receivable and other receivables.

At July 31, 2013 and the date of this Prospectus, Caldera was and is a related party by virtue of common ownership by FOI.

As at July 31, 2013, Sonoma determined that the loan to Caldera will likely not be recovered and as such, has recorded a write down of the loan and interest receivable to \$nil.

Selected Annual Information

Summarized selected financial information with respect to Sonoma for the years ended July 31 2013, 2012, and 2011 is as follows:

	Year ended July 31, 2013	Year ended July 31, 2012	Year ended July 31, 2011
Total expenses	\$ 73,675	\$ 147,021	\$ 49,133
Other expenses (income):			
Loss on write down of note receivable	-	217,107	-
Loss on settlement of debt	-	-	70,000
Recovery of expenses	-	(4,990)	(7,841)
Interest income	-	(12,107)	-
Net (loss) and comprehensive (loss)	<u>(73,675)</u>	<u>(347,031)</u>	<u>(111,292)</u>
(Loss) per share	(0.008)	(0.038)	(0.110)
Total assets	-	34	4,232

	Year ended July 31, 2013	Year ended July 31, 2012	Year ended July 31, 2011
Total liabilities	176,667	103,026	40,483
Shareholders' deficiency	(176,667)	(102,992)	(36,251)
Cash dividends declared	-	-	-

Results of Operations

Three month period ended July 31, 2013 compared to 2012

Sonoma recorded a loss of \$18,461 during the three month period ended July 31, 2013 compared to \$224,744 during the three month period ended July 31, 2012. The decrease in loss is mainly attributable to the write down of the loan to Caldera of \$217,107 during fiscal 2012.

Professional fees during the three month period ended July 31, 2013 were \$1,510 compared to a recovery of \$(5,215) for the comparative period in the prior year and represent legal and accounting fees. The legal and accounting fees were associated with advice on regulatory compliance and to maintain Sonoma's accounting records. The increase is due to account reclassifications during the prior year.

Consulting fees totaled \$16,950 during the three month period ended July 31, 2013, compared to \$18,040 for the comparative period in the prior year. Consulting fees included the provision of financial accounting services and strategic advisory services. Sonoma has engaged FOI for strategic advisory services at a fee of \$5,000 plus HST per month and Cavalry Corporate Solutions Ltd. for financial accounting and corporate secretarial services at a fee of \$5,000 plus HST per month. The amounts were consistent between the two comparable periods.

Loss per share during the three month period ended July 31, 2013 was \$(0.002) compared to \$(0.023) during the comparative period in the prior year.

Year ended July 31, 2013 compared to 2012

Sonoma recorded a loss of \$73,675 during the year ended July 31, 2013 compared to \$347,031 during the year ended July 31, 2012. The decrease in loss is mainly attributable to the writedown of the loan to Caldera of \$217,107 during fiscal 2012 and a decrease in consulting and professional fees between the comparable years as the company became dormant in late fiscal 2012 and during the current period.

Professional fees during the year ended July 31, 2013 were \$5,754 compared to \$17,168 for the comparative year and represent legal and accounting fees. The legal and accounting fees were associated with advice on regulatory compliance and to maintain Sonoma's accounting records. The decrease is due to Sonoma having no cash and being dormant during the year.

Consulting fees totaled \$67,848 during the year ended July 31, 2013 compared to \$127,427 for the comparative year. Consulting fees included the provision of financial accounting services and strategic advisory services. Sonoma has engaged FOI for strategic advisory services at a fee of \$5,000 plus HST per month and Cavalry Corporate Solutions Ltd. for financial accounting and corporate secretarial services at a fee of \$5,000 plus HST per month. The decrease is due to the fact that the agreement with FOI has been terminated and Sonoma is no longer using their services.

Loss per share during the year ended July 31, 2013 was \$(0.008) compared to \$(0.038) during the comparative year.

Summary of Quarterly Results

The following table presents selected financial data of the Company for its last eight quarters as reported in the particular period:

Quarter	Net (Loss) (\$)	Loss per share (\$)
Q4 2013	(18,461)	(0.002)
Q3 2013	(20,804)	(0.002)
Q2 2013	(18,362)	(0.002)
Q1 2013	(16,048)	(0.002)
Q4 2012	(224,744)	(0.023)
Q3 2012	(50,350)	(0.005)
Q2 2012	(37,042)	(0.003)
Q1 2012	(34,894)	(0.005)

Liquidity

Sonoma's working capital position has decreased since last fiscal year end from a negative working capital position of \$(102,992) at July 31, 2012 to \$(176,667) at July 31, 2013. Sonoma's continued existence as a going concern, as planned, depends on its ability to successfully obtain additional financing. While Sonoma has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. At July 31, 2013, current assets were \$nil (July 31, 2012 - \$34) and consisted of \$nil (July 31, 2012 - \$34) of cash.

The notes receivable are to a related party known as Caldera and represent the initial steps made by management to deploy capital into new areas. Caldera is an alternative energy business holding geothermal energy rights to a series of locations in Nevada, USA. Caldera is a related party by virtue of certain common shareholders.

As at July 31, 2013, Sonoma determined that the loan to Caldera will likely not be recovered and as such, has recorded a write down of the loan and interest receivable to \$nil.

Total liabilities were \$103,026 at July 31, 2012 and have increased to \$176,667 at July 31, 2013. Primarily all amounts in accounts payables and accrued liabilities relate to professional fees for financial accounting, consulting, advisory and legal services.

Shareholders' equity decreased from a deficiency of \$102,992 on July 31, 2012 to a deficiency of \$176,667 at July 31, 2013. The change is a result of Sonoma's loss of \$73,675 incurred during the year ended July 31, 2013.

Capital Resources

Sonoma financed operations and made investments during the year ended July 31, 2012 through the issuance of new equity. As of July 31, 2013, Sonoma had \$nil (July 31, 2012 - \$34) of cash. Management acknowledges that additional loans to Caldera and other investments will likely deplete Sonoma's cash balances requiring incremental financing from external sources.

Until such time as Sonoma identifies a business enterprise for the acquisition, it is contemplated that the working capital requirements of the Company will relate generally to investments made and expenses associated with Sonoma's continuous disclosure obligations under applicable securities legislation, other expenses associated with the listing of the shares, if and when the shares are listed, and costs incurred in identifying, evaluating and executing a potential acquisition or in adopting and executing on a new business plan. The only material ongoing contractual obligations of Sonoma relate to the payment of audit, legal, consulting and accounting fees.

Sonoma's continued existence as a going concern, as planned, depends on its ability to successfully obtain additional financing. While Sonoma has been successful in securing financing in the year, there can be no assurance that it will be able to do so in the future. Should Sonoma be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These statements have been prepared on a going-concern basis which assumes that Sonoma will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

Sonoma plans to pursue additional financing in the immediate future.

Off-Balance Sheet Arrangements

As of July 31, 2013, Sonoma had no off balance sheet arrangements.

Related-Party Transactions

On August 2, 2011, Sonoma settled a promissory note due to a director and shareholder of Sonoma in the amount of \$5,000 through the issuance of 100,000 shares of common stock (note 4).

During the year ended July 31, 2013, Cavalry provided \$67,800 (2012 - \$68,515) of financial accounting and consulting services. Also, during the year ended July 31, 2013, FOI invoiced Sonoma \$nil (2012 - \$50,850) for strategic consulting services, of which \$5,000 was paid through the issuance of 100,000 shares of Sonoma's common stock.

Included in accounts payable and accrued liabilities as at July 31, 2013 is \$138,022 (July 31, 2012 - \$62,975) in amounts due to related parties.

Share Capital

As at July 31, 2013, Sonoma had authorized unlimited common shares without par value and had issued 9,600,000 common shares. Sonoma has no options or warrants outstanding.

Critical Accounting Estimates

Sonoma's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The critical accounting policies followed by Sonoma are as follows:

Financial instruments

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 and loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Cash is classified as fair value through profit or loss.

Financial assets classified as held-to-maturity and loans and receivables are measured at amortized cost using the effective interest rate method. Notes receivable and other receivables are classified as loans and loans 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 equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

Transaction costs associated with fair value through profit or loss are expenses as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through the profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. At July 31, 2013 Sonoma has not classified any financial liabilities as fair value through the profit and loss.

Share based payments

Sonoma uses the fair value method of accounting for options granted under share purchase option plans. Options granted to directors, officers and employees are measured at fair value at grant date, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects Sonoma's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation previously included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. Sonoma uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

Accounting estimates and judgments

The preparation of these condensed unaudited interim consolidated financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these condensed unaudited interim consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant estimates used in the preparation of these condensed unaudited interim consolidated financial statements include, among others, the recoverability of other receivable and notes receivable and the fair value of financial assets and liabilities. Actual results may differ from those estimates.

Sonoma is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. It is management's opinion that the Company is not exposed to significant interest, or currency risks arising from these financial instruments.

(a) Fair Value

The carrying values of Sonoma cash, other receivables, loans receivable, and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

(b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Sonoma is not exposed to any significant credit risk.

Sonoma manages the credit exposure related to cash of \$nil as at July 31, 2013 (July 31, 2012 - \$34) by holding funds in bank accounts with Schedule 1 banks in Canada.

(c) Liquidity Risk

Liquidity risk is the risk that Sonoma will not be able to meet its financial obligations as they are due. Sonoma currently settles its financial obligation out of cash. The ability to do this relies on Sonoma raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Sonoma is susceptible to liquidity risk due to the negative working capital.

DESCRIPTION OF SECURITIES DISTRIBUTED

Overview

This Prospectus qualifies the distribution of: (i) up to a maximum of 50,000,000 Common Shares which form part of the Units; (ii) up to a maximum of 25,000,000 Unit Warrants which form part of the Units; (iii) the grant of the Compensation Options (including the Compensation Options granted on exercise of the Over-Allotment Option, if any); and (iv) up to an additional 7,500,000 Common Shares and 3,750,000 Unit Warrants which form part of the Additional Units issuable on exercise, if any, by the Agent of the Over-Allotment Option.

Common Shares

The Company's authorized capital consists of an unlimited number of Common Shares without par value. The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. As at the date of this Prospectus, there are a total of 79,480,269 Common Shares issued and outstanding.

Unit Warrants

The Unit Warrants will be created and issued pursuant to the Warrant Indenture between the Company and the Warrant Agent, as warrant agent. The Common Shares and the Unit Warrants comprising the Units will separate immediately upon closing of the Offering. Each Unit Warrant will be exercisable by the holder thereof to acquire one Warrant Share at the Warrant Exercise Price at any time before 5:00 p.m. (Toronto time) on the Expiry Date, after which time the Unit Warrants will expire and become null and void.

The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

The Warrant Indenture will provide for adjustment in the exercise price and number of Warrant Shares issuable upon the exercise of the Unit Warrants upon the occurrence of certain events, including the issuance of Common Shares or securities exchangeable or convertible into Common Shares as a stock dividend, the subdivision, redivision, reduction, combination or consolidation of the Common Shares, the issuance of rights, options or

warrants to substantially all of the holders of Common Shares that entitle them to subscribe for Common Shares and the merger, sale or conveyance of all or substantially all of the assets of the Company, other than to one of its subsidiaries.

The Warrant Indenture will also provide for adjustment in the class and/or number of Warrant Shares issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares; or (ii) consolidations, amalgamations, plans of arrangement or mergers of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares).

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Unit Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Warrant Share.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not, by virtue of holding such warrants, have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Unit Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Unit Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Unit Warrants may only be made by "extraordinary resolution", defined in the Warrant Indenture as a resolution which is either (i) presented at a meeting of the holders of Unit Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Unit Warrants and then passed by the affirmative vote of holders of Unit Warrants representing not less than 66.6% of the votes cast on such resolution, or (ii) signed by the holders of Unit Warrants representing not less than 66.6% of the aggregate number of the then outstanding Unit Warrants.

The Unit Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States. The Unit Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to the Company; provided, however, that a holder who is an institutional "accredited investor" (that satisfies one of the categories set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act) (a "**U.S. Institutional Accredited Investor**") at the time of exercise of the Unit Warrants who purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel in connection with the exercise of Unit Warrants that are a part of those Units.

Compensation Options

Upon the completion of the Offering, the Agent will receive Compensation Options entitling the Agent to purchase in the aggregate that number of Units equal to 8% of the total number of Units issued under the Offering in the case of subscribers sourced by the Agent and 4% of the total number of Units issued pursuant to the Offering in the case of subscribers sourced by the Company. If the Over-Allotment Option is exercised, the Agent will also receive a number of Compensation Options equal to 8% of the number of Additional Units issued pursuant to such option to the subscribers sourced by the Agent, and 4% of the number of Additional Units issued pursuant to such option to subscribers sourced by the Company. See "*Plan of Distribution*".

Each Compensation Option entitles the holder to purchase one Agent's Unit at the Offering Price for a period of 24 months following the Closing Date. This Prospectus qualifies the distribution of the Compensation Options, Agent's Units and the Common Shares and Unit Warrants underlying the Agent's Units.

The Compensation Options issued in connection with the Offering will be non-transferable. The number of Agent's Units that may be issued upon exercise of the Compensation Options will be subject to adjustment upon the occurrence of certain events, including the subdivision or consolidation of the Common Shares, certain distributions of Common Shares, certain offerings of Common Shares or rights to purchase Common Shares and certain capital reorganizations. The Agent shall not have any rights as a shareholder of the Company (except in respect of the Common Shares it otherwise holds) until such time as the Compensation Options are exercised and the underlying Common Shares issued. The Compensation Options will be governed by the provisions of a certificate to be issued on the Closing Date by the Company, which will contain, among other things, the above-described provisions.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the day of this Prospectus. The table should be read in conjunction with the financial statements and the notes thereto included in this Prospectus.

Designation of Security	Outstanding as of July 31, 2014	Outstanding as of the date of this Prospectus	Outstanding after giving effect to the Minimum Offering ⁽⁴⁾⁽⁵⁾	Outstanding after giving effect to the Maximum Offering ⁽⁴⁾⁽⁵⁾	Outstanding after giving effect to the Maximum Offering and Assuming that the Over-Allotment Option is exercised in full ⁽⁴⁾⁽⁵⁾
Common Shares	71,913,631	79,480,269 ⁽¹⁾⁽²⁾	103,480,269	129,480,269	136,980,269
Series I Warrants	13,500,006	11,933,368 ⁽¹⁾⁽²⁾	11,933,368	11,933,368	11,933,368
Series II Warrants	150,000	150,000	150,000	150,000	150,000
Series III Warrants	Nil	3,566,638	3,566,638	3,566,638	3,566,638
Finder's Warrants	Nil	320,000	320,000	320,000	320,000
Company Options	2,800,000	3,200,000 ⁽⁶⁾	3,200,000 ⁽⁶⁾	3,200,000 ⁽⁶⁾	3,200,000 ⁽⁶⁾
Senior Convertible Debenture	Nil	\$450,000 ⁽³⁾⁽⁴⁾	\$450,000	\$450,000	\$450,000
Subordinated Convertible Debenture	Nil	\$150,000 ⁽³⁾	\$150,000	\$150,000	\$150,000
Unit Warrants	Nil	Nil	12,000,000	25,000,000	28,750,000
Compensation Options	Nil	Nil	1,920,000	4,000,000	4,600,000

Note:

- (1) On October 8, 2014, the Company closed the Private Placement issuing 4,000,000 Common Shares and 2,000,000 Series I Warrants.
- (2) On October 31, 2014, an aggregate of 3,566,638 Series I Warrants were exercised for aggregate proceeds of \$178,332. On exercise, an aggregate of 3,566,638 Common Shares and 3,566,638 Series III Warrants were issued.
- (3) On November 17, 2014, the Company issued the Senior Convertible Debenture and the Subordinated Convertible Debenture in connection with the acquisition of the Pueblo Location.
- (4) Excludes the Common Shares potentially issuable pursuant to Deadline Extension.
- (5) Excludes any Common Shares which may be issued in respect of the JSI Success Fee.
- (6) Excludes an additional 3,550,000 Company Options, which have been approved for issuance by the Board to officers, directors and consultants, with an effective issue date of the date the Company closes the Offering.

On December 16, 2014, the Company entered into the JSI Advisory Agreement with the Agent, pursuant to which the Agent has been retained to provide financial advisory services in relation to the potential Licensing Transaction.

In the event that the Licensing Transaction is completed, the Company has agreed to issue to the Agent 3,950,000 Common Shares ("**JSI Success Fee**") on closing of the Licensing Transaction, subject to the following adjustments: (a) in the event that the Offering is completed and the Agent submits less than \$250,000 worth of subscriptions in connection with the Offering, the JSI Success Fee will be reduced to 1,975,000 Common Shares; (b) if the Company does not complete the Offering because the Agent terminates the Offering for any reason, the JSI Success Fee will be reduced to 1,975,000 Common Shares; or (c) if the Company does not complete the Offering (other than as a result of termination by the Agent or failure of the Offering), the Agent will have the option of receiving the JSI Success Fee or \$300,000 in cash, payable upon closing of the Licensing Transaction.

Upon closing of the Licensing Transaction, the Agent will deposit one half of the Common Shares representing the JSI Success Fee into escrow, subject to release six months after the date of closing the Licensing Transaction ("**Licensing Transaction Escrow**"). If at any time subsequent to closing the Licensing Transaction, and prior to expiration of Licensing Transaction Escrow, the Common Shares trade at not less than a 100% premium to the Offering Price for a period of five consecutive days, the Common Shares subject to the Licensing Transaction Escrow will be released immediately.

If at any time during the 24 months following the termination of the JSI Advisory Agreement, the Company directly or indirectly effects or completes the Licensing Transaction or an alternative transaction with a third party contemplated in the JSI Advisory Agreement, the Agent shall be paid the JSI Success Fee as contemplated by the JSI Advisory Agreement.

PRIOR SALES

Within the 12 months preceding the date of this Prospectus, the Company has completed the following sales of Company securities.

Common Shares			
Date of Issuance	Number of Shares	Price	Description of Issuance
June 27, 2014	60,400,011	\$0.025	Issuance on exchange of NHL Shares
October 8, 2014	4,000,000	\$0.025	Issued pursuant to the Private Placement
October 31, 2014	3,566,638	\$0.05	Issuance on exercise of Series I Warrants
Total	67,966,649		

Series I Warrants			
Date of Issuance	Number of Common Shares Under Warrants	Exercise Price per Common Share	Description of Issuance
June 27, 2014	13,500,006	\$0.05	Issued on exchange of NHL Warrants
October 8, 2014	2,000,000	\$0.05	Issued pursuant to the Private Placement
Total	15,500,006		

Series II Warrants			
Date of Issuance	Number of Common Shares Under Warrants	Exercise Price per Common Share	Description of Issuance
June 26, 2014	150,000	\$0.10	Issued pursuant to the Northumberland Option
Total	150,000		

Series III Warrants			
Date of Issuance	Number of Common Shares Under Warrants	Exercise Price per Common Share	Description of Issuance
October 31, 2014	3,566,638	\$0.10	Issued on exercise of Series I Warrants pursuant to the Early Exercise Provisions
Total	3,566,638		

Finder's Warrants			
Date of Issuance	Number of Common Shares Under Finder's Warrants	Exercise Price per Common Share	Description of Issuance
October 8, 2014	320,000	\$0.025	Issued pursuant to the Private Placement
Total	320,000⁽¹⁾		

Note:

(1) In addition, 160,000 Common Shares are issuable at a price of \$0.05 per Common Share upon exercise of Series I Warrants underlying the Finder's Warrants.

Convertible Debentures			
Date of Issuance	Principal Amount	Exercise Price per Common Share	Description of Issuance
November 17, 2014	\$450,000 (Senior Convertible Debenture)	\$0.06 (subject to Conversion Price Adjustments)	Issued in connection with the acquisition of the Pueblo Location
November 17, 2014	\$150,000 (Subordinated Convertible Debenture)	\$0.06 (subject to Conversion Price Adjustments)	Issued in connection with the acquisition of the Pueblo Location
Total	\$600,000		

Note:

(1) On January 19, 2015, the Company entered into the amendment to the Senior Convertible Debenture with the holder of the Senior Convertible Debenture, pursuant to which in consideration of the holder extending the Deadline from January 31, 2015 to March 16, 2015, the Company has agreed to pay to the holder of the Senior Convertible Debenture the Consideration. See "*Consolidated Capitalization*".

Options to Purchase Common Shares			
Date of Issuance	Number of Common Shares Under Option	Exercise Price Per Common Share	Description of Issuance
July 7, 2014	2,800,000	\$0.10	Grant of options
October 10, 2014	400,000	\$0.10	Grant of options
Total	3,200,000		

**ESCROWED SECURITIES AND OTHER SECURITIES
SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

Regulatory Escrow

The table immediately below sets out the number of securities held by principals and certain other securityholders of the Company who are parties to the Regulatory Escrow Agreement:

Designation of Class Held in Escrow ⁽¹⁾	Number of Securities Held in Escrow ⁽²⁾	Percentage of class prior to completion of Offering ⁽³⁾	Percentage of Class after completion of the Minimum Offering	Percentage of Class after completion of the Maximum Offering	Percentage of Class after completion of the Maximum Offering and assuming the Over-Allotment Option is exercised in full
Common Shares	26,399,916	33.2%	25.5%	20.4%	19.3%
Series I Warrants	300,000	2.5%	2.5%	2.5%	2.5%
Series III Warrants	1,066,638	29.9%	29.9%	29.9%	29.9%
Subordinated Convertible Debenture ⁽⁴⁾⁽⁵⁾	2,500,000	100%	100%	100%	100%

Notes:

- (1) Assuming the Company is classified as an emerging issuer pursuant to National Policy 46-201, the securities listed in the table above will, in accordance with National Policy 46-201, be released from escrow in stages over a 36 month period from the completion of the Listing with 10% released immediately upon Listing and 15% of such escrowed securities released on the 6, 12, 18, 24, 30 and 36 month anniversaries of the date of Listing.
- (2) Assuming the first tranche will be released from escrow on the date of Listing.
- (3) On the basis of the issued and outstanding Common Shares as at the date hereof.
- (4) The Company issued a Subordinated Convertible Debenture in the principal amount of \$150,000 to a group of lenders comprised of Adam Szweras, Stasis Rizas and David Posner, all of whom are directors of the Company, in connection with the financing of the acquisition of the Pueblo Location. The Subordinated Convertible Debenture matures on the Maturity Date and carries an interest rate of 12% per annum. The Subordinated Convertible Debenture is convertible into Common Shares at the option of lender at any time prior to the Maturity Date at a price equal to the Conversion Price. If the Company fails to complete the Offering on or before the Deadline, the Conversion Price shall be reduced to \$0.05 per Common Share, subject to the Conversion Price Adjustment. The holders of the Subordinated Convertible Debenture have agreed to extend the Deadline to March 16, 2015 for no additional consideration.
- (5) This figure assumes that the Subordinated Convertible Debenture has been converted at the Conversion Price without the Conversion Price Adjustment.

Licensing Transaction Escrow

Upon closing of the Licensing Transaction, one half of the Common Shares representing the JSI Success Fee will be subject to the Licensing Transaction Escrow. See "*Consolidated Capitalization*".

PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, to the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the following:

Shareholder Name	Number of Common Shares Held	Prior to giving effect to the Offering		Assuming Completion of the Minimum Offering		Assuming Completion of the Maximum Offering and that the Over-Allotment Option is exercised in full	
		% of Class on undiluted basis	% of Class on fully diluted basis	% of Class on undiluted basis	% of Class on fully diluted basis	% of Class on undiluted basis	% of Class on fully diluted basis
Halki Holdings Inc. ⁽¹⁾	15,300,000	19.25%	14.5%	14.8%	10.4%	11.2%	7.6%

Note:

- (1) Halki Holdings Inc. is a corporation controlled by Stasis Rizas, Director and Chairman of the Company. Neither Halki Holdings Inc., nor Stasis Rizas are expected to purchase any Units issued pursuant to the Offering. Messrs. Rizas, Posner and Szweras are the holders of the Subordinated Convertible Debenture, which is convertible into a maximum of 2,500,000 Common Shares. See "*The Business – Marijuana-Infused Products Segment – Significant Events, Milestones and Business Objectives – Pueblo Location.*"

DIRECTORS AND EXECUTIVE OFFICERS

The articles of the Company provide that the number of directors should not be fewer than three and no more than ten. Each director holds office until the close of the next annual general meeting of the Company, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Company's Board currently consists of seven directors. Messrs. Presement, Caplan, Pesner and Dacks are considered to be "independent directors" for the purposes of the applicable securities legislation.

Name, Occupation and Security Holding

The following table provides the names of the directors and officers, municipalities of residence province and country, respective positions and offices held with the Company, their principal occupations for the past five years and the date they were appointed as an officer or a director of the Company:

Name, Province and Country of Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
David Posner Toronto, ON <i>President, Chief Executive Officer and Director</i>	Mr. Posner was appointed Chief Executive Officer of the Company on the closing of the Acquisition. Prior to which, he was appointed the Chief Executor Officer of NHL in April 2014. Between 2012 and April 2014, Mr. Posner served as an Acquisitions Manager for Stonegate Properties Inc. where he managed real estate properties and brokered deals in Canada and Oklahoma. He was a Managing Director of Sales and Acquisitions for Maria Chiquita Development Company from 2005 to 2012. From 2004 to 2007 he was a partner in a private investment group investment group involved in the acquisition, re-zoning and re-positioning for sale of land holdings in Costa Rica and Panama. Mr. Posner holds a Bachelor of Arts degree from York University.	July 7, 2014
Stasis Rizas Toronto, ON <i>Chairman of the Board</i>	Mr. Rizas served as the President of Spindrift Telecom Inc. since 1992. Since 1991, he has been a successful entrepreneur and has been involved with numerous business activities, most of which have dealt with telephony. He has been Director of Capricorn Business Acquisitions Inc. since May 2008. Mr. Rizas holds a Bachelor of Arts degree from Dartmouth College and an MBA from the University of Chicago.	July 7, 2014
Al Quong Toronto, ON <i>Chief Financial Officer</i>	Al Quong has been the Chief Financial Officer for Branson Corporate Services since September 1, 2014 and has over 25 years of finance experience in various capacities and industries. Mr. Quong provides overall financial leadership for Branson and also serves as Chief Financial Officer for a number of Branson clients. Prior to joining Branson, Mr. Quong was Chief Financial Officer for Integris Real Estate Counsellors and the Fovere Group of Companies, from April 2011, and of Unilock Ltd. From April 2005 to April 2011. Renewable energy has been Mr. Quong's major initiative over the past three years, managing Fovere's private equity investment to become the largest owner of microFIT sites in Ontario. Mr. Quong served as a CFO of Norrock Realty Finance Corporation from May 2011 to October 2011. He is a Chartered Accountant, and Certified Public Accountant (Illinois), and holds a Bachelor of Commerce degree in Accounting from the University of Saskatchewan, and a Graduate Diploma in Forensic & Investigative Accounting from the University of Toronto, Mississauga.	September 1, 2014

Name, Province and Country of Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<p>Adam K. Szweras Thornhill, ON</p> <p><i>Director and Corporate Secretary</i></p>	<p>Mr. Szweras has practiced corporate and securities law since 1996. In January 2006, he founded Foundation Markets Inc. (a brokerage firm licensed as an Exempt Market Dealer) and FMI Capital Advisory Inc. (formerly known as Foundation Opportunities Inc.) (a merchant bank) where he continues as Chairman. In February, 2006 Mr. Szweras joined Fogler, Rubinoff LLP, as a partner, where he continues to practice corporate and securities law. Mr. Szweras has a LLB from the Osgoode Hall Law School at York University.</p>	<p>July 7, 2014</p>
<p>Melissa Parks Denver, CO</p> <p><i>Vice President, Product Development of NHC</i></p>	<p>Ms. Parks is a classically trained chef and Colorado resident, who has been cooking and baking professionally since 1998. She attended Le Cordon Bleu College of Culinary Arts in Minneapolis and Johnson & Wales University for degrees in culinary arts, baking, pastry and culinary nutrition. Ms. Parks previously worked at the R&D department of General Mills from 2003 to 2004, pastry chef at Kowalski's Woodbury Market from 2001 to 2003 and acted as a consultant to start-up companies. She had been a private chef, independent consultant and cake designer for a number of high profile clients and multiple high end restaurants since 2005. Ms. Parks was an early entrant into the development of marijuana infused edible products, and has worked with Bakked and Open Vape.</p>	<p>May 29, 2014</p>
<p>David Caplan⁽¹⁾⁽³⁾ Toronto, ON</p> <p><i>Director</i></p>	<p>David Caplan is a former Ontario politician. Mr. Caplan served as a Minister of Infrastructure during the 2003 session, and as a Minister of Health and Long-Term Care during the 2007 session. He was a member of the Legislative Assembly of Ontario, and was a cabinet minister in the government of Liberal Premier Dalton McGuinty. Since retiring from the Ontario legislature on October 6, 2011 he served as a President and CEO of David Caplan Solutions Inc. a private consulting firm. Mr. Caplan served as a member on board of directors of Yee Hong Foundation since 2012, Baycrest Foundation since 2013, Epilepsy Toronto since 2010, Ontario Liberal Fund from 2007 to 2011 and as a Chair of Fundraising for Ontario Cabinet of Ministers from 2007 to 2009. He has also served as a Vice-Chairman of Global Public Affairs, privately-owned, fully-integrated public affairs firm since 2012. Mr. Caplan was born in Toronto, Ontario, and was educated at the University of Western Ontario. He worked as a commercial real estate agent with the firm of Ernest Goodman Ltd. from 1985 to 1989, and was Vice-President of Taurus Metal Trading Ltd. (a recycling company) between 1989 and 1992. Caplan was elected as a trustee to the North York Board of Education in 1991 and served in this capacity for six years, becoming the Board's Vice-Chair in 1993. He also served on the Metro Toronto Board of Education from 1994 to 1997, becoming its Vice-Chair shortly before his departure for higher office.</p>	<p>July 7, 2014</p>
<p>Brian Presement⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, ON</p> <p><i>Director</i></p>	<p>Mr. Presement has been the President and CEO of Unite Communications Corporation ("UNiTE") since its inception in 2001. Under his leadership, UNiTE has grown from a regional telecom provider offering a narrow set of services to a full scale telecom provider offering services to companies of all sizes all across Canada. Mr. Presement has over 20 years of telecommunications experience. Prior to UNiTE, Mr. Presement served as Vice President Business Development of VOXX Corporation, where he was responsible for the sales and marketing of Voxx's Telecommunications Services. Mr. Presement served as a director of Aurelio Resource Corp. from Feb 2012 to Aug 2013 and a director of Sagittarius Capital Corp. since Jan 2013. From 2004 to 2007 Mr. Presement served as a General Manager of a Spam Filtering Service Called Mailgate Corp. Mr. Presement holds an Honours Bachelor of Arts Degree from York University with a double major in Mass Communications and Political Science.</p>	<p>October 10, 2013</p>

Name, Province and Country of Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Michael Pesner ⁽¹⁾⁽²⁾⁽⁴⁾ Montreal, Quebec <i>Director</i>	Mr. Pesner has been President of Hermitage Canada Finance Inc. since 2002, a firm specializing in financial advisory services. He was previously a partner in financial advisory services at KPMG LLP, in Montreal, specializing in corporate finance, mergers and acquisitions, divestitures, restructuring and corporate recovery in Canada. Mr. Pesner holds a Bachelor of Commerce degree in Finance and Administration from McGill University as well as a Bachelor of Arts degree from Sir George Williams University. Mr. Pesner is a director of the following companies - Le Chateau Inc., Richmond Mines Inc., Quest Rare Minerals Ltd., Bitumen Capital Inc., Alexandria Minerals Corporation, Liquid Nutrition Group Inc., Canamex Resources Corp. and Wi2Wi Corporation.	July 17, 2014
Michael Dacks ⁽³⁾⁽⁴⁾ Toronto, ON <i>Director</i>	Michael is co-founder and advisor to a legal informatics startup venture and is the former VP and General Counsel of a large privately held Canadian digital media and social networking company. Prior to that, Michael worked in the Intellectual Property and Technology Licensing department of Meitar Liguornik Geva & Leshem Brandwein a "top-three" law firm in Tel Aviv, Israel, and is a former law clerk to the Hon. Justice Asher D. Grunis of the Israel Supreme Court and additionally completed his Canadian articling requirements at UJA Federation of Greater Toronto. Michael holds a B.A. from the University of Western Ontario and an LL.B./J.D. from Osgoode Hall Law School where he received a special degree designation in International, Comparative and Transnational Law. Michael is licensed to practice law by the Law Society of Upper Canada (Ontario) and the Israel Bar Association.	July 7, 2014

Notes:

- (1) Member of the Audit Committee
- (2) Chairman of the Audit Committee
- (3) Member of Compensation and Nominating Committee
- (4) Member of the Corporate Governance Committee

The following table provides the names of the directors and officers and the number and percentage of Common Shares owned, directly or indirectly, or over which control or direction is exercised, of voting securities of the Company, as of the date hereof:

Name	Common Shares Beneficially Owned or Controlled	% of Issued and Outstanding Common Shares prior to giving effect to the Offering	% of Issued and Outstanding Common Shares after giving effect to the Maximum Offering ⁽¹⁾	% of Issued and Outstanding Common Shares after giving effect to the Offering and assuming that Over-Allotment Option is exercised in full
David Posner	6,000,000 ⁽⁴⁾	7.5%	4.63%	4.38%
Statis Rizas	15,300,000 ⁽²⁾⁽⁴⁾	19.25%	11.8%	11.2%
Al Quong	Nil	N/A	N/A	N/A
Adam K. Szweras	Nil ⁽³⁾⁽⁴⁾	N/A	N/A	N/A
Melissa Parks	999,915	1.25%	0.77%	0.73%
David Caplan	Nil	N/A	N/A	N/A
Brian Presement	Nil	N/A	N/A	N/A
Michael Pesner	Nil	N/A	N/A	N/A
Michael Dacks	Nil	N/A	N/A	N/A

Notes:

- (1) Assuming that the Offering is fully subscribed.

- (2) 15,300,000 Common Shares are owned by Halki Holdings Inc., a holding company controlled by Mr. Statis Rizas, the Chairman of the Board.
- (3) 4,100,000 Common Shares (representing 5.2% of total issued and outstanding Common Shares) are owned by FMI, a company of which 33.3% is indirectly owned by The Goomie Trust, a family trust, of which the children of Mr. Szweras are the beneficiaries. In addition, 1306413 Ontario Ltd., a corporation owned by The Goomie Trust, holds 1,000,000 Common Shares. Mr. Szweras does not make voting decisions for the shares owned by 1306413 Ontario Ltd.
- (4) Messrs. Rizas, Posner and Szweras are the holders of the Subordinated Convertible Debenture, which is convertible into a maximum of 2,500,000 Common Shares. See "*The Business – Marijuana-Infused Products Segment – Significant Events, Milestones and Business Objectives – Pueblo Location.*"

None of the directors or officers are expected to subscribe for any Units issued pursuant to the Offering. As of the date of this Prospectus, the directors and executive officers of the Company beneficially owned, directly or indirectly, as a group, 22,299,915 Common Shares representing approximately 28.1% of all outstanding voting securities of the Company. Those holdings combined with the holdings of FMI of 4,100,000, a Company with common directors and officers, equate to 26,399,915 Common Shares representing approximately 33.2% of all outstanding voting securities of the Company.

Advisory Board

The Company has organized 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. Currently, the Advisory Board is comprised of Frank Galati, Debra Zwiefelhofer and Matthew Gray. The Board expects to review the structure and composition of the Advisory Board with the intention of adding additional members in the near future and as the Company grows and its business objectives and milestones evolve.

Mr. Galati has been involved in the food service and health supplement industries as a consultant and senior executive for over 20 years. He is currently Managing Partner of the Resource Practice at Bedford Consulting Group Inc., a position he has held since January 2008. Between June 2006 and January 2008, he was the President and Chief Financial Officer at Wellnx Life Sciences Inc., a consumer packaged goods company devoted to the discovery, development and marketing of weight-loss & health care supplements. From May 1997 to June 2006, Mr. Galati was President and Chief Executive Officer at Destination Products International Ltd., a company involved in providing retail branding and food development solutions to the U.S. grocery and mass merchandising sector. Mr. Galati holds an MBA from the University of Windsor, a Bachelor of Arts, Economics from the University of Toronto and a CMA designation from the Society of Management Accountants.

Ms. Zwiefelhofer is a registered and licensed dietician and nutritionist with over 30 years of experience in clinical nutrition care, food service management and medical marketing. As a consultant for various clients, she markets nutrition related products to healthcare professionals with a specialty in weight management, dysphagia, and geriatrics. Ms. Zwiefelhofer previously spent 17 years with Nestlé HealthCare Nutrition (formerly Novartis Nutrition) where she held a number of marketing positions in a managerial capacity, including Interim Director of Marketing where she utilized her clinical experience and knowledge of industry in building the foundation for a successful new company by directing activities of four marketing managers, collectively responsible for over 30% of total sales volume. Ms. Zwiefelhofer belongs to numerous associations relating to nutrition and was responsible for several industry publications.

Matthew Gray is the CEO of the Stoner's Cookbook, an internet-based community featuring recipes, product reviews and cannabis culture. The Stoner's Cookbook was created in 2006 as an online resource for people to share recipes and their passion for cooking with cannabis and currently reaches over 100 million people every month and has 3 million fans on Facebook. Prior to The Stoner's Cookbook, Mr. Gray was the co-founder and CEO of Bitmaker Labs, a 3-month intensive web development bootcamp that trains full-stack developers.

Management

Biographies for each member of the Company's management including directors is set out under the heading "*Directors and Executive Officers – Name, Occupation and Security Holdings*" above.

David Posner, President, Chief Executive Officer and Director (Age 41) – As Chief Executive Officer, Mr. Posner is responsible for the overall direction and business development of the Company. Mr. Posner anticipates devoting 100% of his time to the affairs of the Company during the next year.

Melissa Parks, Vice President, Product Development (Age 34) – Ms. Parks was an early entrant into the development of marijuana infused edible products, and has worked with Bakked and Open Vape. Ms. Parks anticipates devoting approximately 50% of her time to the affairs of the Company during the next year until the Company enters into production license with a Royalty Producer and 100% of her time thereafter. Ms. Parks has entered into a non-competition or a non-disclosure agreement with the Company.

Al Quong, Chief Financial Officer (Age 48) – As Chief Financial Officer, Mr. Quong is responsible for the financial affairs of the Company and brings extensive experience in dealing with financial matters and corporate strategy. It is anticipated that he will assist the Company on as-needed basis during the next year.

Adam Szweras, Corporate Secretary and Director (Age 43) – Mr. Szweras has practiced corporate and securities law since 1996. In February 2006, Mr. Szweras joined Fogler, Rubinoff LLP, as a partner, where he practices corporate and securities law. Mr. Szweras is also Chairman of Foundation Markets Inc., an Exempt Market Dealer focused on financing and consulting to emerging growth companies. As Corporate Secretary, Mr. Szweras is responsible for Company's corporate governance, securities and compliance matters. It is anticipated that he will assist the Company on as-needed basis during the next year.

Statis Rizas, Chairman of the Board (Age 55) – Mr. Rizas has extensive experience with junior issuers and entrepreneurial industries. As Chairman of the Board, it is anticipated that Mr. Rizas will assist the Company on an as-needed basis.

David Caplan, Director (Age 50) – Mr. Caplan has significant experience with health care regulatory system in Ontario. As a director, it is anticipated that Mr. Caplan will assist the Company on an as-needed basis.

Brian Presement, Director (Age 45) – Mr. Presement has worked with junior issuers in development stages for over 15 years. As a director, it is anticipated that Mr. Presement will assist the Company on an as-needed basis.

Michael Pesner, Director (Age 72) – Mr. Pesner been involved in the financial advisory services industry for over 36 years. As a director, it is anticipated that Mr. Pesner will assist the Company on an as-needed basis.

Michael Dacks, Director (Age 38) – Mr. Dacks has been involved in the digital media and internet industry and additionally acted as general counsel for two years. As a director, it is anticipated that Mr. Dacks will assist the Company on an as-needed basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, no director or executive officer of the Company is, as at the date of this Prospectus, or was within the ten years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Company), that :

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the preceding disclosure, an "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 days.

Other than as set out below, no director or executive officer of the Company, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company

- (a) is, at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company (including the Company) that, while that person

was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

- (b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

Other than as set out below, no director or executive officer of the Company, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to

- (a) any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Adam Szweras was a director and the Corporate Secretary of Bassett Media Group Corp. ("**Bassett**"), a TSX Venture Exchange listed company, until March 16, 2010. Bassett has been subject to a cease trade order since June 16, 2010 for failing to file its financial statements.

Mr. Michael Pesner was a director of Prestige Telecom Inc. and he resigned from the board of directors on May 25, 2011. In November 2011, Prestige Telecom Inc. filed a notice of intention to file a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). On March 29, 2012, Prestige Telecom Inc. received a final order from the Quebec Superior Court ratifying the proposal which had been approved at the meeting of its creditors which took place on March 6, 2012.

Although the Company was never listed on any exchange, in December 2007, the Company was issued a Cease Trade Order for failure to file its annual audited financial statements for the year ended July 31, 2007, which Cease Trade Order was extended in January 2008 and subsequently revoked in August 2010. None of the current officers or directors were associated with the Company during this period.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies. The directors of the Company are bound by the provisions of the CBCA to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Company for the three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean (i) each of the Chief Executive Officer and the Chief Financial Officer of the Company, (ii) each of the Company's three most highly compensated executive officers, other than the Chief Executive Officer and the

Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation exceeds \$150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year end of the Company.

During the Company's most recently completed financial year ended July 31, 2014, the Company had five Named Executive Officers: David Posner, President and Chief Executive Officer; Marco Guidi, former Chief Financial Officer; Yannis Banks, former President, Chief Executive Officer and Secretary; Andres Tinajero, former President and CEO; Warren Goldberg, Secretary, former Chief Financial Officer and Treasurer. Subsequent to the most recently completed financial year, Mr. Guidi resigned as Chief Financial Officer and Mr. Quong was appointed Chief Financial Officer. For a description of the compensation arrangements for Mr. Quong, see "*Executive Compensation - Termination and Change of Control Benefits and Management Contracts.*"

The aggregate cash compensation (including salaries, fees, directors fees, commissions, bonuses paid for services rendered during the most recently completed financial year, bonuses paid for services rendered in the previous year, and any compensation other than bonuses earned during the most recently completed financial year, the payment of which was deferred) paid to the Named Executive Officers (or corporations controlled by Named Executive Officers), in the capacity of Named Executive Officers, for the most recently completed financial year, was \$68,700.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Company and its subsidiaries for the most recently completed financial year in respect of each Named Executive Officer as at July 31, 2014.

SUMMARY COMPENSATION TABLE							
Name and Principal Position of Named Executive Officer	Year ended	Salary	Option-based Awards ⁽⁶⁾	Non-Equity Incentive Plan Compensation		All Other Compensation	Total Compensation
				Annual Incentive Plans	Long-term Incentive Plans		
David Posner President and CEO ⁽¹⁾	July 31, 2014	\$24,000	\$3,960	Nil	Nil	\$35,000 ⁽⁷⁾	\$62,960
Marco Guidi Former CFO ⁽²⁾	July 31, 2014	\$4,500	Nil	Nil	Nil	Nil	\$4,500
Yannis Banks Former President, CEO, Secretary and Director ⁽³⁾	July 31, 2014	Nil	Nil	Nil	Nil	Nil	Nil
Andres Tinajero Former President, CEO and Director ⁽⁴⁾	July 31, 2014	Nil	Nil	Nil	Nil	Nil	Nil
	July 31, 2013	Nil	Nil	Nil	Nil	Nil	Nil
	July 31, 2012	Nil	Nil	Nil	Nil	Nil	Nil
Warren Goldberg Former Secretary, CFO and Treasurer ⁽⁵⁾	July 31, 2014	Nil	Nil	Nil	Nil	Nil	Nil
	July 31, 2013	Nil	Nil	Nil	Nil	Nil	Nil
	July 31, 2012	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Posner was appointed as President and CEO on July 7, 2014.
- (2) Mr. Guidi was appointed as CFO on July 7, 2014 and resigned on September 1, 2014. Mr. Quong was appointed as CFO on September 1, 2014. Mr. Quong is paid by Branson pursuant to the Branson Agreement. See "*Executive Compensation – Termination and Change of Control Benefits and Management Contracts.*"
- (3) Mr. Banks was appointed as President, CEO and Director on November 14, 2013 and resigned on July 7, 2014.
- (4) Mr. Tinajero was appointed as President and CEO on August 24, 2011, and resigned on October 10, 2013.

- (5) Mr. Goldberg resigned as a Secretary and Chief Financial Officer of the Company on July 7, 2014.
- (6) The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows: a 5 year expected term, 100% volatility, risk-free interest rate of 1.14% per annum, a dividend rate of 0% and weighted average grant-date fair value of stock options of \$0.0099.
- (7) Mr. David Posner was paid an initial advisory fee of \$35,000 on May 1, 2014 pursuant to the Posner Agreement.

Compensation Discussion and Analysis

The Compensation Discussion and Analysis section of this Prospectus sets out the objectives of the Company's executive compensation arrangements, the Company's executive compensation philosophy and the application of this philosophy to the Company's executive compensation arrangements. It also provides an analysis of the compensation design, and the decisions that the Board made in fiscal 2014 with respect to the Named Executive Officers. When determining the compensation arrangements for the Named Executive Officers, the Compensation and Nominating Committee considers the objectives of: (i) retaining an executive critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and Company's shareholders; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. See the "Compensation Governance" below for more discussion on the Compensation and Nominating Committee.

Benchmarking

The Compensation and Nominating Committee considers a variety of factors when designing and establishing, reviewing and making recommendations for executive compensation arrangements for all executive officers of the Company. The Board typically does not position executive pay to reflect a single percentile within the industry for each executive. Rather, in determining the compensation level for each executive, the Compensation and Nominating Committee looks at factors such as the relative complexity of the executive's role within the organization, the executive's performance and potential for future advancement, the compensation paid by the other companies in medicinal and recreational marijuana industry, and pay equity considerations.

Elements of Compensation

The compensation paid to Named Executive Officers in any year consists of two primary components:

- (a) base salary; and
- (b) long-term incentives in the form of stock options granted under the Stock Option Plan.

The key features of these two primary components of compensation are discussed below:

1. Base Salary

Base salary recognizes the value of an individual to the Company based on his or her role, skill, performance, contributions, leadership and potential. It is critical in attracting and retaining executive talent in the markets in which Company competes for talent. Base salaries for the Named Executive Officers are reviewed annually. Any change in base salary of a Named Executive Officer is generally determined by an assessment of such executive's performance, a consideration of competitive compensation levels in companies similar to the Company (in particular, companies in the marijuana industry) and a review of the performance of the Company as a whole and the role such executive officer played in such corporate performance.

2. Stock Option Awards

The Company provides long-term incentives to Named Executive Officers in the form of stock options as part of its overall executive compensation strategy. The Compensation and Nominating Committee believes that stock option grants serve the Company's executive compensation philosophy in several ways: firstly, it helps attract, retain, and motivate talent; secondly, it aligns the interests of the Named Executive Officers with those of the shareholders by linking a specific portion of the officer's total pay opportunity to the share price; and finally, it provides long-term accountability for Named Executive Officers.

Risks Associated with Compensation Policies and Practices

The oversight and administration of the Company's executive compensation program requires the Compensation and Nominating Committee to consider risks associated with the Company's compensation policies and practices. Potential risks associated with compensation policies and compensation awards are considered at annual reviews and also throughout the year whenever it is deemed necessary by the Compensation and Nominating Committee.

The Company's executive compensation policies and practices are intended to align management incentives with the long-term interests of the Company and its shareholders. In each case, the Company seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) financial controls that provide limits and authorities in areas such as capital and operating expenditures to mitigate risk taking that could affect compensation, (ii) balancing base salary and variable compensation elements and (iii) spreading compensation across short and long-term programs.

Compensation Governance

The Compensation and Nominating Committee intends to conduct a yearly review of directors' compensation having regard to various reports on current trends in directors' compensation and compensation data for directors of reporting issuers of comparative size to the Company. Except for director's fees paid to the Chairman of the Board, director compensation is currently limited to the grant of stock options pursuant to the Stock Option Plan. It is anticipated that the Chief Executive Officer will review the compensation of officers of the Company for the prior year and in comparison to industry standards via information disclosed publicly and obtained through copies of surveys. The Board expects that the Chief Executive Officer will make recommendations on compensation to the Compensation and Nominating Committee. The Compensation and Nominating Committee will review and make suggestions with respect to compensation proposals, and then makes a recommendation to the Board.

The Compensation and Nominating Committee is currently comprised of Brian Presement (Chair), David Caplan and Michael Dacks, all of whom are independent.

The Compensation and Nominating Committee's responsibility is to formulate and make recommendations to the directors of the Company in respect of compensation issues relating to directors and officers of the Company. Without limiting the generality of the foregoing, the Compensation and Nominating Committee has the following duties:⁴

- (a) to review the compensation philosophy and remuneration policy for officers of the Company and to recommend to the directors of the Company changes to improve the Company's ability to recruit, retain and motivate officers;
- (b) to review and recommend to the Board the retainer and fees, if any, to be paid to directors of the Company;
- (c) to review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the directors of the Company with respect to) the CEO's compensation level based on such evaluation;
- (d) to recommend to the directors of the Company with respect to non-CEO officer and director compensation including reviewing management's recommendations for proposed stock options and other incentive-compensation plans and equity-based plans, if any, for non-CEO officer and director compensation and make recommendations in respect thereof to the directors of the Company;
- (e) to administer the stock option plan approved by the directors of the Company in accordance with its terms including the recommendation to the directors of the Company of the grant of stock options in accordance with the terms thereof; and

- (f) to determine and recommend for the approval of the directors of the Company bonuses to be paid to officers and employees of the Company and to establish targets or criteria for the payment of such bonuses, if appropriate. Pursuant to the mandate and terms of reference of the Compensation and Nominating Committee, meetings of the Committee are to take place at least once per year and at such other times as the Chair of the Compensation and Nominating Committee may determine.

Stock Option Plan and Stock Options

As of the date of this Prospectus, the Company has 79,480,269 Common Shares issued and outstanding. This means that a total of 7,948,026 Company Options are currently available to be granted pursuant to the Stock Option Plan. As of the date of this Prospectus, 3,200,000 Company Options had been granted pursuant to the Stock Option Plan and 4,748,026 Company Options were still available to be granted. See "*Options to Purchase Securities*".

The Board has authorized for issuance an additional 3,550,000 Company Options to certain officers, directors and consultants to the Company after completion of the Offering at an exercise price equal to the Warrant Exercise Price.

Stock Option Plan Terms

The Stock Option Plan authorizes the Board to grant stock options to the officers, directors, employees and consultants of the Company on the following terms:

1. The number of shares subject to each option is determined by the Board provided that the Stock Option Plan, together with all other previously established or proposed share compensation arrangements may not, during any 12 month period, result in:
 - (a) the number of shares reserved for issuance pursuant to stock options granted to any one person exceeding 5% of the issued shares of the Company;
 - (b) the issuance, within a one year period, to insiders of the Company of a number of shares exceeding 10%, or to one insider of a number exceeding 5%, or to a consultant of a number exceeding 2%; or to employees or consultants (as defined by the Exchange) who provides Investor Relations services of a number exceeding 2% (in the aggregate for all such employees or consultants) of the issued shares of the Company.
2. The aggregate number of shares which may be issued pursuant to options granted under the Stock Option Plan, may not exceed 10% of the issued and outstanding shares of the Company as at the date of the grant.
3. The exercise price of an option may not be set at less than the discounted market price (as provided in the Exchange regulations) for the trading day immediately preceding the date of grant of the option.
4. The options may be exercisable for a period of up to five years.
5. The options are non-assignable, except in certain circumstances. The options can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Stock Option Plan or within a period of not more than 90 days (30 days for providers of investor relations services) after ceasing to be an eligible optionee or, if the optionee dies, within one year from the date of the optionee's death.
6. On the occurrence of a takeover bid, issuer bid or going private transaction, the Board will have the right to accelerate the date on which any option becomes exercisable.

Outstanding Option-Based Awards for Named Executive Officers

The table below reflects all option-based awards for each Named Executive Officer outstanding as at July 31, 2014. The Company does not have any other equity incentive plans other than its Stock Option Plan.

OPTION-BASED AWARDS OUTSTANDING AS AT END OF FISCAL YEAR				
Named Executive Officer	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$/Security)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽¹⁾ (\$)
David Posner <i>President and Chief Executive Officer⁽³⁾</i>	400,000	\$0.10	July 7, 2019	Nil
Marco Guidi <i>Former CFO</i>	Nil	N/A	N/A	N/A
Yannis Banks <i>Former President, CEO and Secretary</i>	Nil	N/A	N/A	N/A
Andres Tinajero <i>Former President, CEO and Director</i>	Nil	N/A	N/A	N/A
Warren Goldberg <i>Former Secretary, CFO and Treasurer</i>	Nil	N/A	N/A	N/A

Note:

(1) This column contains the aggregate value of in-the-money unexercised options as at July 31, 2014, calculated based on the difference between the market price of the Common Shares underlying the Company Options, being \$0.025, (the price of the shares issued pursuant to the private placement of NHL securities completed in June 2014 prior to the completion of the Acquisition) and the exercise price of the options.

Incentive Award Plans

The following table provides information concerning the incentive award plans of the Company with respect to each Named Executive Officer during the fiscal year ended July 31, 2014. The only incentive award plan of the Company during such fiscal years was the Stock Option Plan.

Named Executive Officer	Option-Based Awards – Value Vested During Year Ended July 31, 2014	Non-Equity Incentive Plan – Value Vested During Year Ended July 31, 2014
David Posner	\$3,960	Nil
Marco Guidi	Nil	Nil
Yannis Banks	Nil	Nil
Andres Tinajero	Nil	Nil
Warren Goldberg	Nil	Nil

Termination and Change of Control Benefits and Management Contracts

As at July 31, 2014, there were no written contracts or agreements that provide for payment to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in a Named Executive Officer's responsibilities.

NHL has entered into the following consulting agreements with the following executive officers of the Company.

Posner Agreement

On May 1, 2014, NHL entered into consulting agreement with David Posner, President (the "**Posner Agreement**"). Pursuant to the Posner Agreement, David Posner has agreed to perform the services of the Chief Executive Officer of NHL and its affiliates (including the Company). Mr. Posner was paid an initial advisory fee of \$35,000 and a base fee of \$8,000 per month, subject to annual review by the Board.

Branson Agreement

On September 1, 2014, Al Quong was appointed the Chief Financial Officer of the Company, designated consultant to provide the services of Chief Financial Officer to the Company. On May 1, 2014, the Company entered into an agreement with Branson Corporate Services Inc. ("**Branson**") to provide a Chief Financial Officer, controllership and bookkeeping services, administrative services and general and back office services for a monthly fee of \$3,000. Al Quong is employed by Branson and is compensated by Branson. On October 27, 2014, the Company amended the Branson agreement, by including a provision that the Company will pay Branson an additional fee of \$30,000 plus applicable taxes upon completion of the Offering.

Compensation of Directors

The Compensation and Nominating Committee makes recommendations to the Board as to the appropriate level of remuneration for the directors and officers of the Company. The Board as a whole makes the final determination in respect of compensation matters. Remuneration is assessed and determined by taking into account such factors as the size of the Company and the level of compensation earned by directors and officers of companies of comparable size and industry.

Other than with respect to director fees paid to the Chairman of the Board, the only arrangements the Company has, standard or otherwise, pursuant to which directors are compensated by the Company for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts for the financial year ended July 31, 2014, are through the issuance of stock options. The number of options to be granted from time to time is determined by the Board in its discretion.

Individual Director Compensation

The following table provides a summary of all amounts of compensation provided to the directors of the Company during the fiscal years ended July 31, 2014. Except as otherwise disclosed below, the Company did not pay any fees or compensation to directors for serving on the Board (or any committee) beyond reimbursing such directors for travel and related expenses and the granting of stock options under the Stock Option Plan.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR ENDED JULY 31, 2014					
Name	Fees Earned	Option-Based Awards⁽¹⁾	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Statis Rizas	\$15,000 ⁽²⁾	\$3,960	Nil	Nil	\$18,960
Adam K. Szwercas	Nil	\$3,960	Nil	Nil	\$3,960
David Caplan	Nil	\$3,960	Nil	Nil	\$3,960
Michael Dacks	Nil	\$3,960	Nil	Nil	\$3,960
Brian Presement	Nil	\$3,960	Nil	Nil	\$3,960
Michael Pesner	Nil	Nil	Nil	Nil	Nil
Yvan Routhier ⁽³⁾	Nil	Nil	Nil	Nil	Nil
Paul Sarjeant ⁽³⁾	Nil	Nil	Nil	Nil	Nil
Claude E. Forget ⁽³⁾	Nil	Nil	Nil	Nil	Nil
Walter Lee ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Option-based awards are valued at the share price on the date of the option grant. The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows: a 5 year expected term, 100% volatility, risk-free interest rate of 1.51% per annum, a dividend rate of 0% and weighted average grant-date fair value of stock options of \$0.0099.
- (2) An aggregate of \$15,000 was accrued to Mr. Rizas pursuant to a consulting agreement with the Company dated May 1, 2014. The agreement was terminated effective October 24, 2014.
- (3) Messrs. Routhier, Sarjeant and Forget resigned on July 7, 2014.
- (4) Mr. Lee resigned on November 14, 2013.

Director Outstanding Option-Based Awards

The table below reflects all option-based awards for each director of the Company outstanding as at July 31, 2014 (including option-based awards granted to a director before each such fiscal year). The Company does not have any equity incentive plan other than the Stock Option Plan.

DIRECTOR OPTION-BASED AWARDS OUTSTANDING AS AT JULY 31, 2014				
Name of Director	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$/Security)	Option Expiration Date	Value of Unexercised In-the-Money Options⁽¹⁾
Statis Rizas	400,000	\$0.10	July 7, 2019	Nil
Adam K. Szweras	400,000	\$0.10	July 7, 2019	Nil
David Caplan	400,000	\$0.10	July 7, 2019	Nil
Michael Dacks	400,000	\$0.10	July 7, 2019	Nil
Brian Presement	400,000	\$0.10	July 7, 2019	Nil
Michael Pesner	Nil	N/A	N/A	N/A
Yvan Routhier ⁽²⁾	Nil	N/A	N/A	N/A
Paul Sarjeant ⁽²⁾	Nil	N/A	N/A	N/A
Claude E. Forget ⁽²⁾	Nil	N/A	N/A	N/A
Walter Lee ⁽³⁾	Nil	N/A	N/A	N/A

Notes:

- (1) This column contains the aggregate value of in-the-money unexercised options as at July 31, 2014, calculated based on the difference between the market price of the Common Shares underlying the Company Options, being \$0.025 (the price of the shares issued pursuant to the private placement of NHL securities completed in June 2014 prior to the completion of the Acquisition) and the exercise price of the options.
- (2) Messrs. Routhier, Sarjeant and Forget resigned on July 7, 2014.
- (3) Mr. Lee resigned on November 14, 2013.

Director Incentive Award Plans

The following table provides information concerning the incentive award plans of the Company with respect to each director during the fiscal year ended July 31, 2014. The only incentive award plan of the Company during such fiscal year was its Stock Option Plan.

INCENTIVE AWARD PLANS – VALUE VESTED OR EARNED DURING THE FISCAL YEAR ENDED JULY 31, 2014		
Name of Director	Option-Based Awards – Value Vested During Fiscal Year Ended July 31, 2014 ⁽¹⁾	Non-Equity Incentive Plan Compensation – Value Vested During Fiscal Year Ended July 31, 2014
Statis Rizas	\$3,960	Nil
Adam K. Szweras	\$3,960	Nil
David Caplan	\$3,960	Nil
Michael Dacks	\$3,960	Nil
Brian Presement	\$3,960	Nil
Yvan Routhier ⁽²⁾	Nil	Nil
Paul Sarjeant ⁽²⁾	Nil	Nil
Claude E. Forget ⁽²⁾	Nil	Nil

Notes:

- (1) Option-based awards are valued at the share price on the date of the option grant. The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows: a 5 year expected term, 100% volatility, risk-free interest rate of 1.51% per annum, a dividend rate of 0% and weighted average grant-date fair value of stock options of \$0.0099.
- (2) Messrs. Routhier, Sarjeant and Forget resigned on July 7, 2014.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No existing or proposed director, executive officer or senior officer of the Company or any associate of any of them, was indebted to the Company as at the financial year ended July 31, 2014, or is currently indebted to the Company.

CORPORATE GOVERNANCE

Audit Committee

The Audit Committee of the Company is responsible for the Company's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors.

The full text of the charter of the Company's Audit Committee is attached hereto as Schedule "A".

Composition of the Audit Committee

The Board members of the Company's audit committee are:

<u>Name</u>	<u>Independent⁽¹⁾</u>	<u>Financially Literate⁽²⁾</u>
Michael Pesner (Chair)	Yes	Yes
Brian Presement	Yes	Yes
David Caplan	Yes	Yes

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Name of Member	Relevant Experience and Qualifications
Michael Pesner	Mr. Pesner has been President of Hermitage Canada Finance Inc. since 2002, a firm specializing in financial advisory services. He was previously a partner in financial advisory services at KPMG LLP, in Montreal, specializing in corporate finance, mergers and acquisitions, divestitures, restructuring and corporate recovery in Canada. Mr. Pesner holds a Bachelor of Commerce degree in Finance and Administration from McGill University as well as a Bachelor of Arts degree from Sir George Williams University. Mr. Pesner is a director of the following companies - Le Chateau Inc., Richmond Mines Inc., Quest Rare Minerals Ltd., Bitumen Capital Inc., Alexandria Minerals Corporation, Liquid Nutrition Group Inc. Canamex Resources Corp. and Wi2Wi Corporation.
Brian Presement	Mr. Presement has been the President and CEO of Unite Communications Corporation ("UNiTE") since its inception in 2001. Under his leadership, UNiTE has grown from a regional telecom provider offering a narrow set of services to a full scale telecom provider offering services to companies of all sizes all across Canada. Mr. Presement has over 20 years of telecommunications experience. Prior to UNiTE, Mr. Presement served as Vice President Business Development of VOXX Corporation, where he was responsible for the sales and marketing of Voxx's Telecommunications Services. Mr. Presement served as a director of Aurelio Resource Corp. from Feb 2012 to Aug 2013 and a director of Sagittarius Capital Corp. since Jan 2013. From 2004 to 2007 Mr. Presement served as a General Manager of a Spam Filtering Service Called Mailgate Corp. Mr. Presement holds an Honours Bachelor of Arts Degree from York University with a double major in Mass Communications and Political Science
David Caplan	David Caplan is a former Ontario politician. Mr. Caplan served as a Minister of Infrastructure during the 2003 session, and as a Minister of Health and Long-Term Care during the 2007 session. He was a member of the Legislative Assembly of Ontario, and was a cabinet minister in the government of Liberal Premier Dalton McGuinty. Since retiring from the Ontario legislature on October 6, 2011 he served as a President and CEO of David Caplan Solutions Inc. a private consulting firm. Mr. Caplan served as a member on board of directors of Yee Hong Foundation since 2012, Baycrest Foundation since 2013, Epilepsy Toronto since 2010, Ontario Liberal Fund from 2007 to 2011 and as a Chair of Fundraising for Ontario Cabinet of Ministers from 2007 to 2009. He has also served as a Vice-Chairman of Global Public Affairs, privately-owned, fully-integrated public affairs firm since 2012. Mr. Caplan was born in Toronto, Ontario, and was educated at the University of Western Ontario. He worked as a commercial real estate agent with the firm of Ernest Goodman Ltd. from 1985 to 1989, and was Vice-President of Taurus Metal Trading Ltd. (a recycling company) between 1989 and 1992. Caplan was elected as a trustee to the North York Board of Education in 1991 and served in this capacity for six years, becoming the Board's Vice-Chair in 1993. He also served on the Metro Toronto Board of Education from 1994 to 1997, becoming its Vice-Chair shortly before his departure for higher office.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor with was not adopted by the Board.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company's external auditors for any non-audit services, prior approval of the Audit Committee must be obtained.

Audit Fees

The following table provides details in respect of audit, audit related, tax and other fees billed to the Company by the external auditors for professional services.

	Year ended July 31, 2014	Year ended July 31, 2013
Audit Fees	\$19,170	\$5,500
Audit Related Fees	\$2,500	Nil
Tax Fees	Nil	Nil
All Other Fees	Nil	Nil

Corporate Governance

Board of Directors

The Board currently consists of seven directors. The Board has concluded that Brian Presement, Michael Dacks, Michael Pesner and David Caplan are "independent" for purposes of Board membership, as defined in National Instrument 58-101 *Disclosure of Corporate Governance Practices*. By virtue of their management positions or their status as promoter of the Company, each of David Posner, Stasis Rizas and Adam K. Szweras are not considered to be "independent".

A member of the Board is considered to be independent if the member has no direct or indirect material relationship with the issuer. A material relationship means a relationship which could, in the view of the reporting issuer's Board, reasonably interfere with the exercise of a member's independent judgment.

Directorships

In the past five years, the directors and officers of the Company have held officer or director positions with the following issuers:

Name	Name of Reporting Issuer	Name or Exchange or Market	Position	From	To
Adam Szweras	Petrolympic Ltd.	TSXV	Secretary	June 2008	Present
	Bassett Media Group Corp.	TSXV	Director	August 2009	March 2010
	Canada Pacific Canada Corp.	NEX	Director, Secretary	May 28, 2010	August 2014
	Star Navigation Systems Group Ltd.	TSXV	Corporate Secretary	May 2008	December 2011
	Sagittarius Capital Corp.	TSXV	Corporate Secretary	August 2009	Present
	Sagittarius Capital Corp.	TSXV	Director	August 2009	August 2010
	Lakeside Minerals Inc.	TSXV	Corporate Secretary	December 2011	Present
	InterAmerican Gaming, Inc.	TSXV	Director	May 2008	June 2009
	Quia Resources Inc.	TSXV	Director, Corporate Secretary	December 2010	Present

Name	Name of Reporting Issuer	Name or Exchange or Market	Position	From	To
Statis Rizas	Capricorn Business Acquisitions Inc.	TSXV	Director	May 2008	Present
Al Quong	Norrock Realty Finance Corporation	TSX	CFO	May 2011	October 2011
Brian Presement	Sagittarius Capital Corporation	NEX	Director	January 2013	Present
	Aurelio Resource Corp.	Not Listed	Director	February 2012	August 2013
Michael Pesner	Bitumen Capital Inc.	NEX	Director	March 2007	Present
	San Anton Capital Inc.	TSX-V	Director	November 2007	May 2010
	Prestige Telecom Inc.	TSX-V	Director	July 2007	May 2011
	Mint Technology Corp.	TSX-V	Director	March 2008	September 2013
	Sand Technology Inc.	OTCBB	Director	January 2010	December 2011
	Richmont Mines Inc.	TSX and NYSE MKT	Director	November 2010	Present
	Quest Rare Minerals Ltd. (formerly Quest Uranium Corp.)	TSX and NYSE MKT	Director	September 2007	Present
	BrightPath Early Learning Inc. (formerly Edleun Group, Inc.)	TSX-V	Director	August 2007	May 2010
	Liquid Nutrition Group Inc.	TSX-V	Director	December 2013	Present
	Le Chateau Inc.	TSX	Director	December 2012	Present
	Alexandria Minerals Corporation	TSX-V	Director	October 2013	Present
	Wi2Wi Corporation	TSX-V	Director	November 2014	Present
	Canamex Resources Corp.	TSX-V	Director	December 2014	Present

Orientation and Continuing Education

The Board is comprised of individuals with either prior experience as a director or publicly listed issuer or a private entity or with significant business experience as a senior business manager. While the Company currently has no formal orientation and education program for new Board members, sufficient information (such as annual reports, prospectuses, proxy solicitation materials, budgets and operations reports) is provided to new Board members to ensure that each new director is familiar with the business of the Company and the functions of the Board. In addition, new directors are encouraged to meet with senior management.

Ethical Business Conduct

Ethical business conduct and behaviour is of great importance to the Board and management of the Corporation. The Corporate Governance Committee and the Board have discussed the adoption of a written code of conduct but as yet have not adopted a written code. The Company does expect that each of the directors, officers and employees conduct themselves ethically and within the confines of professional behaviour, including the avoidance of conflicts

of interest, protection and proper use of company information, compliance with laws, rules and regulations and reporting of illegal or unethical behaviour.

Any director or officer of the Company shall disclose in writing or request to have it entered into the minutes of Board's meeting or any of the committees of the directors the nature and extent of any interest in a material contract or a material transaction, whether made or proposed, as soon as the director or officer becomes aware of such a contract or transaction. In such a case, the director shall abstain from voting on any resolution to approve such a contract or transaction.

Nomination of Directors

The Board is entrusted with reviewing on a periodic basis the composition of the Board and, when appropriate, with maintaining a list of potential candidates for Board membership and interviewing potential candidates for Board membership.

Compensation

At present, no compensation other than the grant of Company Options is paid to the Company's directors, in such capacity. For a description of the process by which the Board determines compensation for the Company's officers and directors, see "*Executive Compensation – Compensation of Directors*".

Other Board Committees

Other than the Audit Committee, the Company's Board has a Compensation and Nominating Committee and a Corporate Governance Committee.

The Compensation and Nominating Committee's responsibility is to formulate and make recommendations to the directors of the Company in respect of compensation issues relating to directors and officers of the Company. The Compensation and Nominating Committee is comprised of Brian Presement (Chair), David Caplan and Michael Dacks, all of whom are independent. See "*Executive Compensation – Compensation Governance*".

The Corporate Governance Committee's responsibility is to assist the Board in fulfilling its oversight responsibilities in the following principal areas: (i) developing a set of corporate governance rules; (ii) reviewing and recommending the compensation of the Company's directors; (iii) facilitating the evaluation of the Board and committees of the Board. The Corporate Governance Committee is comprised of Michael Dacks (Chair), Michael Pesner and Brian Presement.

Assessments

The Board does not formally review the contribution and effectiveness of the Board, its members or committees. The Board believes that its size facilitates an informal review process through discussion and evaluation between the Chairman of the Board, the CEO and the Chair of the Corporate Governance Committee.

PLAN OF DISTRIBUTION

Pursuant to the terms of the Agency Agreement, the Agent has been retained by the Company and the Agent has agreed to act as the exclusive agent of the Company to conditionally offer the Units for sale to the public, if and when issued by the Company, at the Offering Price, on a "best efforts" basis, for aggregate gross proceeds of a minimum of \$1,200,000 and a maximum of \$2,500,000. Each Unit consists of one Common Share and one-half of one Unit Warrant. The Unit Warrants will be created and issued pursuant to the terms of the Warrant Indenture entered into between the Company and the Warrant Agent. Each Unit Warrant will entitle the holder thereof to acquire one Warrant Share at the Warrant Exercise Price expiring on the Expiry Date.

The completion of the Offering is subject to the Minimum Offering. If subscriptions are not received aggregating the Minimum Offering, the Offering will not be completed. Subscription proceeds will be received by the Agent, or by any other securities dealer authorized by the Agent, and will be held by the Agent in trust until the initial closing of the Offering. If this Minimum Offering is not raised within the distribution period, the subscription proceeds will be returned to the subscribers without any deduction.

The Warrant Indenture will contain provisions intended to protect the holders of the Unit Warrants against dilution upon the happening of certain events. No fractional Warrant Shares will be issued upon the exercise of any Unit Warrants. See "*Description of the Securities Being Distributed – Unit Warrants*". The Offering Price was determined by negotiation between the Company and the Agent based upon several factors and may bear no relationship to the price that will prevail in the public market. Of the Offering Price, the Company will allocate \$0.045 to each Common Share and \$0.005 to each Unit Warrant, which may differ from the allocation in the Company's financial statements.

The Company has granted to the Agent the Over-Allotment Option, exercisable in whole or in part at any time and from time to time on the Closing Date or for a period of 30 days following the Closing Date, in the sole discretion of the Agent, to purchase such number of Additional Units as is equal to 15% of the number of Units issued under the Offering for market stabilization purposes and to cover the Agent's over-allocation position, if any. The Agent may elect to exercise the Over-Allotment Option to purchase Additional Units at the Offering Price, Additional Warrants at a price of \$0.005 per Additional Warrant and/or any combination of Additional Units and/or Additional Warrants so long as the aggregate number of Additional Units and/or Additional Warrants does not exceed 15% of the number of Units issued under the Offering (excluding those purchased pursuant to the Over-Allotment). This Prospectus also qualifies the distribution of the Over-Allotment Option and any Additional Units issued pursuant to the exercise thereof. A purchaser who acquires securities forming part of the Agent's over-allotment position acquires those securities under this Prospectus, regardless of whether such over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. If the Over-Allotment Option is exercised in full by the purchase of Additional Units, the "Price to the Public", "Agent's Fee" and "Net Proceeds to the Company" (before deducting the expenses of the Offering (estimated to be \$120,000) will be \$2,875,000, \$230,000 and \$2,645,000 (assuming a 8% Agent's Commission will be paid on all sales). See "*Use of Proceeds*".

In consideration of the services to be rendered by the Agent in connection with the Offering, the Agent's Commission, equal to 8% of the total gross proceeds of the Offering from the subscribers sourced by the Agent and 4% of the gross proceeds of the Offering from the subscribers sourced by the Company will be paid by the Company to the Agent. The Agent will also be granted the Compensation Options to acquire that number of Agent's Units equal to 8% of the total number of Units sold pursuant to the Offering (including any Additional Units sold pursuant to the exercise of the Over-Allotment Option) to the subscribers sourced by the Agent and 4% of the number of Units sold pursuant to the Offering (including any Additional Units sold pursuant to the Over-Allotment Option) to the subscribers sourced by the Company, exercisable at the Offering Price for a period of twenty-four months from the closing of the Offering. This Prospectus also qualifies for distribution the Compensation Options and the Agent's Units issuable upon the exercise of the Compensation Options. The Company has also agreed to pay for certain expenses of the Agent in connection with the Offering. In addition, the Company has entered into the JSI Advisory Agreement with the Agent in regards to the potential Licensing Transaction. Under the terms of the JSI Agreement, the Agent may be paid the JSI Success Fee. See "*Consolidated Capitalization*".

Subscription funds will be held in trust by the Agent pending closing of the Offering. It is expected that the closing will be completed on the Closing Date, but in any event no later than April 29, 2015. If the Offering is not fully subscribed within 90 days from the date a receipt is issued for the (final) prospectus, or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve, the Offering will be discontinued and the subscription funds received by the Agent in connection with the Offering will be returned to subscribers without interest, set-off or deduction.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right to close the subscription books at any time without notice. The Offering will be discontinued and all subscription funds received by the Agent in connection with the Offering will be returned to subscribers without interest, set-off or deductions in the event that completion of the Offering has not occurred on or prior to the date that is 90 days from the issuance of a receipt for the final Prospectus relating to this Offering or, if a receipt has been issued for an amendment to the final Prospectus, within 90 days of the issuance of such receipt. Except as otherwise required by law or in accordance with certain regulatory requirements, other than Units sold in the United States or to a U.S. Person (as such term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act, which will be represented by individual certificates, it is anticipated that the Common Shares and Unit Warrants acquired hereunder will be issued under the book-based system. At the closing of the Offering, certificates representing all of the Common Shares and Unit Warrants will be issued in registered form to CDS Participants, which includes securities brokers and dealers,

banks, and trust companies. It is anticipated that such CDS Participants will deposit such certificates with CDS in connection with the book-based system and a global certificate representing the Common Shares and the Common Shares, as applicable, will be issued in the name of CDS or its nominee held through the book-based system. A holder of a Common Share or a Unit Warrant participating in the book-based system will not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Common Shares or Unit Warrant, as applicable, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. However, a holder of Common Shares or Unit Warrants participating in the book-based system may, through the applicable CDS Participant, request that such Common Shares or Unit Warrants, as applicable, no longer be held through the book-based system, in which case a certificate representing such Common Shares or Unit Warrants will be issued to such holder as soon as reasonably practicable.

The Offering is being made concurrently in Ontario, British Columbia and Alberta. The Units will be offered through the Agent directly, however the Agent may, in connection with the Offering and in its sole discretion, retain one or more licensed dealer, brokers and investment dealers as sub-agents (the "**Selling Firms**") and may receive subscriptions for Units from such Selling Firms. In addition, pursuant to the Agency Agreement, the Company appointed the Agent's United States affiliates, which are registered U.S. broker-dealers, to offer the Units on an exempt basis in the United States. The Agent, through the Selling Firms as applicable, is entitled to offer the Units outside of Canada and the United States to non-U.S. persons on an exempt basis available under the applicable securities legislation in those jurisdictions, provided that the Agent shall not take any action in connection with the distribution of the Units that would result in the Company being obligated to comply with the prospectus, registration, reporting or other similar requirements of the securities laws of any jurisdiction

The obligations of the Agent pursuant to the Agency Agreement may be terminated by the Agent at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Agent is not obligated, directly or indirectly, to advance their own funds to purchase any of the Units.

The Units, the Common Shares, the Unit Warrants, and the Warrant Shares issuable upon exercise of the Unit Warrants, have not been and will not be registered under the U.S. Securities Act or any state securities laws, and the Units, the Common Shares and the Unit Warrants may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agent has agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Units, the Common Shares or the Unit Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. The Agency Agreement permits the Agent to offer the Units, the Common Shares and the Unit Warrants outside the United States to non-U.S. Persons in compliance with Regulation S under the U.S. Securities Act. The Agency Agreement also permits the Agent, through U.S. registered broker-dealers, to offer and resell the Units, the Common Shares and the Unit Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons where such persons are "**Qualified Institutional Buyers**", as such term is defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**"), in compliance with Rule 144A and applicable state securities laws. The Agency Agreement also permits the Agent, through U.S. registered broker-dealers, to offer the Units, the Common Shares and the Unit Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons to whom the Company will sell such securities directly as substituted purchasers where such persons are U.S. Institutional Accredited Investors, in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units, the Common Shares or the Unit Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of such securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to an exemption from registration under the U.S. Securities Act.

The Agent has agreed that, except in certain transactions exempt from the registration requirements of the U.S. Securities Act, it will not offer or sell the Units, the Common Shares and the Unit Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons (i) as part of their distribution, or (ii) otherwise until 40 days after the later of the commencement of the Offering and the date of Closing (or the date of Closing of the Over-

Allotment Option, if any) (the "**distribution compliance period**") unless an exemption from registration under the U.S. Securities Act is available. The Agent has further agreed that all offers and sales of the Units, the Common Shares and the Unit Warrants during the distribution compliance period will be made in compliance with Rule 903 or 904 of Regulation S under the U.S. Securities Act or an exemption from registration under the U.S. Securities Act. The Agent and any other distributor selling Units, the Common Shares and the Unit Warrants (or Additional Units, the Common Shares and the Additional Warrants, if any) in this Offering to a distributor, to a dealer, as defined in section 2(a)(12) of the U.S. Securities Act, or to a person receiving a selling concession, fee or other remuneration in respect of the securities sold, prior to the expiration of a 40-day distribution compliance period following the final Closing of this Offering, must send a confirmation or other notice to the purchaser stating that the purchaser is subject to the same restrictions on offers and sales that apply to a distributor.

The Unit Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares issuable upon exercise of the Unit Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company; provided, however, that a holder who is a U.S. Institutional Accredited Investor at the time of exercise of the Unit Warrants who purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel in connection with the exercise of Unit Warrants that are a part of those Units.

The Common Shares, the Unit Warrants and the Warrant Shares issuable upon exercise of the Unit Warrants issued to, or for the account or benefit of, persons in the United States or U.S. Persons will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act. Certificates representing any securities that are offered, sold or issued to, or for the account or benefit of, persons in the United States or U.S. Persons may bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

Terms used and not otherwise defined in the four preceding paragraphs shall have the meanings ascribed to them by Regulation S under the U.S. Securities Act.

There is currently no market through which any of the securities of the Company, including the Common Shares and Unit Warrants, may be sold and purchasers and holders thereof may not be able to resell or dispose of any of the securities purchased, distributed or qualified under this Prospectus.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Market Group plc.

The Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Company fulfilling all of the requirements of the Exchange.

RISK FACTORS

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks actually occur, the Company's business, financial condition or results of operation may be materially adversely affected. 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:

The Company has a very limited operating history in an emerging area of business and had negative cash flows from operations in its most recently completed financial year.

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. The purpose of the Offering is to raise funds to execute on the Company's business plan set out in this Prospectus.

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.

The Company relies on securing agreements with Royalty Producers

In most U.S. States, the Company is not eligible to obtain a License to grow, store and sell marijuana products, and must secure 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. Palo Verde has been successful in its application for a License in Colorado, however, there can be no guarantee that the applicable Licenses will be maintained by Palo Verde or granted to other prospective Licensed Operators in the future. 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 Royalty Producers which have entered with royalty agreements with the Company were forced to cease their operations due to changes in the federal government's 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. Moreover if the marijuana industry as a whole was forced to cease its legal existence, it would result in higher vacancy rates further reducing the lease rates and property values. 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.

Reliance on Palo Verde

The Company is leasing the Pueblo Location to Palo Verde and is currently finalizing royalty agreements with Palo Verde to provide the Company's brands, recipes and know-how in respect to production of edible Marijuana-Infused Products and Marijuana Concentrates for Palo Verde to become a Royalty Producer. Such agreements are subject to regulatory approval (including the approval of the MED), and there is no assurance that the Company will be able to receive such regulatory approvals (including the approval of the MED) and enter into contemplated agreements on favourable terms or at all.

In the event that the Maximum Offering is not completed, the Company may not have sufficient funds to allocate to Pueblo Location outfitting and equipment and Palo Verde will be required to secure additional capital. In the event Palo Verde is unable to obtain additional financing to commence its operations, or if Palo Verde develops its own branded products rendering the royalty agreement redundant, there is a significant risk that the business, results of

operations, and financial condition of the Company would be negatively affected. See *"The Business – Products and Services, and Intangible Properties"* and *"Use of Proceeds"*.

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.

Under the CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until the United States Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law in the United States

In the event the Company exercises the Northumberland or Haldimand options pursuant to the Option Agreement, the Company's improvements of the facilities and application for an MMPR License are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of Medical Marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company.

The Company may become subject to additional government regulation and legal uncertainties that could restrict the demand for its services or increase its cost of doing business, thereby adversely affecting its financial results.

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.

While the impact of the changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

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.

While the Company does not intend to harvest, distribute or sell cannabis, by leasing facilities to Licensed Operators or Royalty Producers, as the case may be, the Company could be deemed to be participating in marijuana cultivation, which remains illegal under federal law, and exposes the Company to potential criminal liability, with the additional risk that the Company's assets and properties could be subject to civil forfeiture proceedings.

Regulatory Approvals and Permits

The Company and its owners may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where their products are licensed, although the Company does not anticipate such approvals will be necessary. Moreover, to the extent the Company loans funds to Licensed Operators or Royalty Producers, such loans must be disclosed to regulatory authorities. There can be no assurance that the Company will be able to receive and/or maintain the necessary permits, licenses and approvals. Any material delay or failure to receive these items would delay and/or inhibit the Company's ability to conduct its business and would adversely affect the Company's business, financial condition and results of operations.

U.S. Federal Laws

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 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. While U.S. Department of Justice has instructed U.S. Attorneys that they need not expend resources with respect to entities selling marijuana pursuant to strict U.S. State licensing regimes, this directive can change, and U.S. Attorneys have discretion to interpret the Cole Memo as they see fit. Moreover, U.S. Attorneys have significant discretion with respect to the activities they seek to prosecute, regardless of any directive from the Department of Justice.

On December 16, 2014, President Obama signed the Cromnibus Bill, approving spending for certain federal agencies through September 30, 2015. Section 583 of the Cromnibus Bill prohibits the United States government from using federal funds to prevent states with medical marijuana laws from implementing state laws that authorize the use, distribution, possession, or cultivation of medical marijuana. Nevertheless, there can be no certainty that future U.S. federal funding bills will include similar provisions.

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.

The guidance provided in the FinCEN Memo may change depending on the incumbent U.S. government administration and is subject to revision or retraction in the future, which may restrict the Company's or Royalty Producers' access to banking services. The inability of Royalty Producers to access banking services can make it difficult to structure royalty agreements in a manner acceptable to the Company.

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 licencing 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. The Company may be subject to various product liability claims, including, among others, that the Company's and the Licensed Operator's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company potential products.

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. The Company may lose a significant amount of revenue due to a loss of sales by Royalty Producers and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company is establishing procedures for its Royalty Producers to test finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations and the Royalty Producers' operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

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.

Enforcement Risk

The sale and distribution of Medical Marijuana by licenced producers is legal in certain Canadian provinces. The sale and distribution of marijuana in certain U.S. States is legal subject to compliance with applicable state regulatory regimes. U.S. federal law currently classifies marijuana as a controlled substance and its manufacture, sale, distribution, and use is illegal under U.S. federal law. The U.S. Department of Justice has indicated in the Cole Memo that it does not intend to interfere with the sale or distribution of marijuana in U.S. States where such sale and distribution is legal provided the regulations are complied with.

The Company operates in the Medical Marijuana and Retail Marijuana industries in the United States and is exploring opportunities in the Medical Marijuana industry in Canada. Certain U.S. States have recently legalized Medical Marijuana. Two U.S. States have further legalized the recreational use of marijuana. Canada has legalized Medical Marijuana, but has not legalized the recreational use of marijuana. The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the marijuana industry in the United States and Canada.

This Prospectus qualifies the distribution of securities of an entity that indirectly derives a substantial portion of its revenues by leasing real estate, selling packaging, recipes and other inputs to the recreational marijuana industry in certain U.S. States, which industry is not currently legal in Canada.

Marijuana-Infused Products are currently not legal for sale in Canada (only the sale of dried marijuana plants for medical use are legal in Canada). The Company's Marijuana-Infused Products segment is solely focused on the U.S. States where Marijuana-Infused Products are permitted by law and regulation.

While the marijuana industry is legal in certain Canadian provinces and U.S. States, it is regulated differently. Consequently, certain activities conducted by the Company may be permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian or provincial law for an entity to hold interests in affiliates that are engaged in regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk; however, that the courts may take contrary view in the future.

Additionally, because marijuana is illegal under U.S. federal law, the courts in the U.S. may take the position that parties to contracts involving marijuana, whether directly or indirectly, may not enforce such contracts because they concern an illegal product or activity.

The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing.

The Company may need to raise significant additional funds (other than through the Offering) 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. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

No Market for Securities

There is currently no market through which any of the Company's securities, including the Common Shares and Unit Warrants, may be sold and there is no assurance that such securities of the Company will be listed for trading on a

stock exchange, or if listed, will provide a liquid market for such securities. Until the Common Shares are listed on a stock exchange, holders of the Common Shares may not be able to sell their Common Shares. Even if a listing is obtained, there can be no assurance that an active public market for the Company's Common Shares will develop or be sustained after completion of the Offering. The Offering Price determined by negotiation between the Company and the Agent was based upon several factors, and may bear no relationship to the price that will prevail in the public market. The holding of Common Shares and Unit Warrants involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Common Shares and Unit Warrants should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

If a listing for the Common Shares is obtained, the market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative or regulatory changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

There can be no assurance that the Company's shareholders or purchasers of the Units will be able to resell their securities at prices equal to or greater than their cost.

The market price of the Common Shares could be subject to significant fluctuations in response to various factors, many of which are beyond the Company's control. In addition, the stock markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Common Shares. There can be no assurance that the holders or purchasers of the Company's Common Shares will be able to resell their shares at prices equal to or greater than their cost.

The Company Relies on Acquisition of Real Estate Properties and is Subject to Risks Generally Affecting the Real Estate Industry in the Markets in which it Chooses to Operate

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 Dealers 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 Chief Executive Officer, David Posner and Vice-President, Product Development, Melissa Parks. 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 labor 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.

The Company may face intense competition and expects competition to increase in the future, which could prohibit its development of customer base and generating revenue.

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.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdictions 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. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

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. 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.

Risks Relating to Exercise of MMPR Options

As the Company's decision to exercise the Haldimand Option and the Northumberland Option and the timing of such exercise is dependent on Health Canada's decision with respect to each application, timing for the exercise of each option cannot be predicted at the current time. The Company cannot predict the time required to secure all appropriate regulatory approvals. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have an adverse effect on the business, results of operations and financial condition of the Company.

The MMPR is a new regime established in June 2013. As such, revisions to the regime could be implemented which could have an impact on the Company's operations if the Haldimand and Northumberland Options are exercised. There is also some uncertainty regarding the likely interpretation of certain regulatory provisions by the regulator. Changes in legislation or regulator interpretation could negatively impact the operations of the Company. Similarly, a change in government could result in meaningful changes to the regulatory regime under which the Corporation operates, which could negatively impact its operations.

The MMPR sets out certain regulations in respect of the licensed facility, including security and air filtration systems. Any breach of the security measures or other facility requirements, including any recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operations pursuant to the MMPR licences, if and when one is issued.

Risks Relating to EMAL Clinics

It is expected that in most cases, EMAL medical staff will not be the primary caregiver for its clientele and will not issue medical documents to patients, rather, EMAL medical staff will provide advice in regards to administration, frequency and dosage. In some cases; however, EMAL medical staff are expected to issued medical documents to authorize a patient to obtain medical marijuana. In such cases, it is expected that EMAL medical staff will be the primary caregiver for such patient. Prior to commencing operations, EMAL expects to implement policies to ensure that EMAL medical staff act in a compliant and professional manner, and comply with policies of applicable professional associations in their approach to assessing patients and issuing recommendations.

The regulations applicable to the EMAL Clinic business include the ethical and legal regulations that apply to the conduct of EMAL's staff as medical professionals in the jurisdiction in which they practice. With the introduction of MMAR, the College of Physicians and Surgeons of Ontario issued a policy stating that physicians are expected to use their best judgement in deciding whether to compete a medical declaration under MMAR or MMPR. In the future, the Ontario Medical Association (or other regulatory bodies) may respond adversely to its members issuing such documents. As a result, EMAL Clinic staff may be subject to disciplinary actions and EMAL may be subject to regulatory actions, which may adversely affect the financial performance of the Company and hinder EMAL's ability to retain qualified medical staff.

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. Currency exchange fluctuations may also materially adversely affect the Company's future cash flow from operations, its results of operations, financial condition and prospects.

Enforcement of Legal Rights

In the event of a dispute arising from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

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

The officers and directors of the Company, as a group, will beneficially own, on a non-diluted basis, approximately 21.6% of the outstanding Common Shares of the Company if the Minimum Offering is completed and 17.2% if the Maximum Offering is completed. 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.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares.

Volatile global financial and economic conditions may negatively affect the Company's operations.

Current global financial and economic conditions remain extremely volatile. 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.

PROMOTERS

During the two years immediately preceding the date of this document, the promoters of the Company have been and are as follows:

Name of Promoter	Number of Shares	Percentage
FMI Capital Advisory Inc. (formerly known as Foundation Opportunities Inc.)	4,100,000	5.2%
David Posner ⁽¹⁾	6,000,000	7.5%
Statis Rizas ⁽¹⁾	15,300,000	19.3%

Notes:

(1) Messrs. Posner and Rizas are currently directors and/or officers of the Company. Neither of whom received specific compensation for their services as promoters. For details of compensation paid to them, see "Executive Compensation".

The Company entered into an agreement with FMI on May 1, 2014 and amended on October 27, 2014 pursuant to which FMI has agreed to provide financial advisory services and strategic business advice to the Company and its affiliates in consideration of an initial advisory fee of \$35,000 plus applicable taxes, a monthly fee of \$8,000 plus applicable taxes, and an additional fee of \$70,000 plus applicable taxes payable upon completion of the Offering (half of which will be payable in Units issued at the Offering Price).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not, and has not since the beginning of the fiscal year ended July 31, 2014, engaged in any legal proceedings and none of the Company's property is or was during that period the subject of any legal proceedings. The Company is not aware of any such legal proceedings being contemplated.

Regulatory Actions

There have been no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Prospectus.

Although the Common Shares have never been listed on any exchange, in December 2007, the company was issued a Cease Trade Order for failure to file its annual audited financial statements for the year ended July 31, 2007, which Cease Trade Order was extended in January 2008 and subsequently revoked in August 2010. None of the current officers or directors were associated with the Company during this period.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Company or any person or company that beneficially owns, or controls, directly or indirectly, more than 10% of any class of the Company's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction, within the three years preceding the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company other than as disclosed in the financial statements and MD&A of the Company.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Eligibility for Investment

In the opinion of Fogler, Rubinoff LLP, counsel for the Company and the Agent, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**") in force as of the date hereof, provided that the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the Exchange), the Common Shares, Warrant Shares and Unit Warrants will, on the date of issue, be qualified investments under the current provisions of the Tax Act and the Regulations for trusts governed by registered retirement savings plans (each a "**RRSP**"), registered education savings plans, registered retirement income funds (each a "**RRIF**"), registered disability savings plans, deferred profit sharing plans and tax-free savings accounts (each a "**TFSA**"), all within the meaning of the Tax Act, provided that, in the case of the Warrants, the Company is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such plan.

Notwithstanding the foregoing, if the Common Shares, Warrant Shares and Unit Warrants held by a TFSA, RRSP or RRIF are "prohibited investments" for purposes of the Tax Act, the holder of the TFSA or the annuitant of the RRSP or RRIF will be subject to a penalty tax as set out in the Tax Act. The Common Shares and Unit Warrants will be a "prohibited investment" if the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be: (i) does not deal at arm's length with the Company for purposes of the Tax Act; or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Company. In addition, the Common Shares and Unit Warrants will not be a "prohibited investment" if the Common Shares and Unit Warrants are "excluded property", as defined in the Tax Act, for a TFSA, RRSP or RRIF. **Holders who intend to hold Common Shares, Warrant Shares or Unit Warrants in a TFSA, RRSP or RRIF should consult their own tax advisors in this regard.**

Canadian Federal Income Tax Considerations

In the opinion of Fogler, Rubinoff LLP, counsel to the Company and the Agent, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax

Act to the acquisition, holding and disposition of Common Shares, Warrant Shares or Unit Warrants by a holder who acquires Common Shares and Unit Warrants pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, deals at arm's length with the Company, is not affiliated with the Company, is not exempt from tax under Part I of the Tax Act, and who acquires and holds the Common Shares, including any Warrant Shares acquired on the exercise of Unit Warrants, and Unit Warrants as capital property (a "**Holder**" and collectively the "**Holders**"). Generally, the Common Shares, Warrant Shares and Unit Warrants will be considered to be capital property to a Holder thereof provided that the Holder does not use the Common Shares or Unit Warrants in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them or been deemed to have acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

For the purposes of this summary, the term "Common Shares" shall also include any Warrant Shares acquired upon the exercise of the Unit Warrants, unless the context otherwise requires.

This summary is not applicable to a Holder: (i) that is a "financial institution" within the meaning of the Tax Act; (ii) that is a "specified financial institution" within the meaning of the Tax Act; (iii) that reports its "Canadian tax results" within the meaning of the Tax Act in a currency other than Canadian currency; (iv) an interest in which is, or for whom an Common Share would be, a "tax shelter investment" within the meaning of the Tax Act; (v) that enters into a "derivative forward agreement" or "synthetic disposition arrangement", within the meaning of the Tax Act, in respect of Common Shares; (vi) that is a corporation resident in Canada that is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Common Shares, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in the Tax Act; or (vii) that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. This summary does not address the deductibility of interest by a Holder who borrows money to acquire the Units. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder in force as of the date hereof, all specific proposals to amend the Tax Act (the "**Tax Proposals**") which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") which have been made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law or in the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Common Shares or Unit Warrants and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire the Common Shares or Unit Warrants. Moreover, the tax considerations may vary depending on an investor's particular circumstances including the province or territory in which the investor resides. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Common Shares and Unit Warrants, based on their particular circumstances.

Acquisition of Common Shares and Unit Warrants

A reasonable allocation of the Offering Price between the Common Share and one-half Unit Warrant that comprise each Unit will be required to determine the cost of each to the Holder for purposes of the Tax Act. The Company has advised its counsel that, of the \$0.05 Offering Price per Unit, the Company intends to allocate \$0.045 of the Offering Price of each Unit to each Common Share and \$0.005 of the Offering Price of each Unit to each one-half Unit Warrant. Although the Company believes that such allocation is reasonable, it is not binding on the CRA or any Holder and the CRA may not agree with such allocation. Counsel expresses no opinion with respect to such allocation.

For the purposes of determining the adjusted cost base to a Holder of an Common Share or Unit Warrant, when Common Shares or Unit Warrants are acquired, the cost of newly acquired Common Shares or Unit Warrants will be averaged with the adjusted cost base of all Common Shares or Unit Warrants, respectively, owned by the Holder as capital property before that time.

Exercise of Unit Warrants

The exercise of an Unit Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act and consequently no gain or loss will be realized by a Holder upon such an exercise. When an Unit Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Unit Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all other Common Shares owned by the Holder and held as capital property immediately prior to such acquisition.

Resident Holders

The following section of this summary applies to Holders ("**Resident Holders**") who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times. Certain Resident Holders whose Common Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Common Shares, and every other "Canadian security" as defined in the Tax Act, held by such persons, in the taxation year of the election and each subsequent taxation year to be capital property. This election does not apply to Unit Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Unit Warrants

In the event of the expiry of an unexercised Unit Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Unit Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Dividends

Dividends received or deemed to be received on the Common Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as each term is defined in the Tax Act). An enhanced gross-up and dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be limitations on the ability of the Company to designate dividends as eligible dividends.

Dividends received or deemed to be received on the Common Shares by a corporation that is a Resident Holder must be included in computing its income, but generally will be deductible in computing its taxable income. A Resident Holder that is a "private corporation" or "subject corporation" (as each term is defined in the Tax Act) generally will be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing its taxable income. This refundable tax generally will be refunded to a corporate Resident Holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Disposition of Common Shares and Unit Warrants

Upon a disposition (or a deemed disposition) of an Common Share (other than to the Company) or an Unit Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain ") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss ") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares or shares substituted for such Common Shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where an Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary, as the case may be. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act) for the year, which includes taxable capital gains. This refundable tax generally will be refunded to a corporate Resident Holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may affect the Resident Holder's liability to pay minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

Non-Resident Holders

The following section of this summary is generally applicable to Holders ("**Non-Resident Holders** ") who for the purposes of the Tax Act and at all relevant times, are neither resident nor deemed to be resident in Canada and do not use or hold, and will not be deemed to use or hold, the Common Shares or Unit Warrants in carrying on a business in Canada. This summary does not apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or "an authorized foreign bank" as defined in the Tax Act. In addition, this summary does not apply to a Non-Resident Holder that is or may become subject to the proposed "treaty shopping" rules announced in the 2014 Canadian federal budget released on February 11, 2014. Such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty or convention. Under the Canada-United States Tax Convention (1980) (the "**Treaty**") as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty, entitled to benefits under the Treaty and the beneficial owner of the dividend (a "**U.S. Holder** ") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares). Non-Resident Holders should consult their own tax advisors.

Dispositions of Common Shares and Unit Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of an Common Share or an Unit Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Unit Warrant constitutes "taxable

Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

Provided the Common Shares are listed on a "designated stock exchange", as defined in the Tax Act (which currently includes the Exchange), at the time of disposition, the Common Shares and Unit Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with the foregoing, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Under Tax Proposals released July 12, 2013, the ownership test will include shares held by a partnership in which the Non-Resident Holder or any non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships.)

Notwithstanding the foregoing, an Common Share or Unit Warrant may otherwise be deemed in certain circumstances to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

A Non-Resident Holder's capital gain (or capital loss) in respect of Common Shares or Unit Warrants that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "Resident Holders – Disposition of Common Shares and Unit Warrants".

Non-Resident Holders whose Common Shares or Unit Warrants are taxable Canadian property should consult their own tax advisors.

AUDITORS, REGISTRAR AND TRANSFER AGENT

Auditors

The auditors of the Company are Collins Barrow Toronto LLP, 11 King Street West, Suite 700, Box 27, Toronto, ON M5H 4C7.

Transfer Agent and Registrar

The transfer agent and registrar of the Company is CST Trust Company, 320 Bay Street, 3rd Floor Toronto, ON M5H 4A6.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the material contracts entered into by the Company within two years prior to the date hereof and which are currently in effect:

1. Securities Exchange Agreement – see "*Corporate Structure – The Acquisition*";
2. Pueblo PSA – see "*The Business – Marijuana-Infused Products Segment - Significant Events, Milestones and Business Objectives – Pueblo Location*";
3. Lease Agreement (MIP) dated July 23, 2014 – see "*The Business – Marijuana-Infused Products Segment - Significant Events, Milestones and Business Objectives – Palo Verde LLC*";
4. Lease Agreement (Cultivation) dated July 23, 2014 – see "*The Business – Marijuana-Infused Products Segment - Significant Events, Milestones and Business Objectives – Palo Verde*";

5. Revolving Loan Agreement dated July 23, 2014 – see "*The Business – Marijuana-Infused Products Segment - Significant Events, Milestones and Business Objectives – Palo Verde*";
6. Lawrenceville PSA dated August 24, 2014, and amended on September 3, 2014 – see "*The Business – Medical Advisory and Retail Segment - Lawrenceville Property Acquisition and Dispensary License Application*";
7. Advisory Agreement with FMI dated May 1, 2014, as amended on October 27, 2014 – see "*Promoters*";
8. Warrant Indenture with CST – see "*Description of Securities Distributed – Unit Warrants*";
9. Regulatory Escrow Agreement with CST and certain shareholders – see "*Escrowed Securities and Other Securities Subject to Contractual Restrictions on Transfer*";
10. Transfer Agency and Registrar Agreement with CST;
11. Agency Agreement between the Company and the Agent. See "*Plan of Distribution*";

The Company's head and registered office is located at 77 King Street West, Suite 2905, Toronto-Dominion Centre Toronto, ON M5K 1H1.

INTEREST OF EXPERTS

Collins Barrow Toronto LLP have advised that they are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Units will be passed upon by Fogler, Rubinoff LLP on behalf of the Company and the Agent. As of the date hereof, the partners and associates of Fogler, Rubinoff LLP as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

OTHER MATERIAL FACTS

There are no other material facts that are not elsewhere disclosed herein and which are necessary in order for this document to contain full, true and plain disclosure of all material facts relating to the Company.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In some jurisdictions, the securities legislation further provides a purchaser with remedies for rescission or revisions to the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions to the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of Unit Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial securities legislation, to the price at which the Unit Warrant is offered to the public under the Offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

FINANCIAL STATEMENTS

Nutritional High International Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2014

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Nutritional High International Inc., (“the Company”) are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the consolidated statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“David Posner”, Director and CEO
David Posner

“Al Quong”, CFO
Al Quong

Nutritional High International Inc.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2014	July 31, 2014
Assets		(audited)
Current		
Cash (Note 14)	\$ 517,483	\$ 617,066
HST and other receivables (Note 4)	32,678	23,747
Loan receivable (Note 5)	34,925	32,712
	585,086	673,525
Non-current assets		
Property deposits (Note 6)	27,506	21,952
	\$ 612,592	\$ 695,477
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7 & 8)	\$ 250,158	\$ 120,150
Unissued share capital (Note 9)	-	100,000
	250,158	220,150
Shareholders' Equity		
Share Capital (Note 9)	1,325,062	1,063,482
Reserve for share based payments (Note 10)	32,000	28,000
Reserve for warrants (Notes 9, 11)	71,533	65,000
Reserve for foreign currency translation	(2,272)	-
Non-controlling interest (Note 12)	(1,066)	-
Accumulated deficit	(1,062,823)	(681,155)
	362,434	475,327
	\$ 612,592	\$ 695,477

Nature of Operations and Going Concern (Note 1)
Commitments (Note 15)
Subsequent Events (Note 17)

Approved on behalf of the Board:

"Adam Szweras" Director

"Statis Rizas" Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Nutritional High International Inc.
Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive
Loss
(Expressed in Canadian Dollars)

For the three months ended October 31

2014

Administrative expenses	
Management and consulting fees <i>(Note 8)</i>	\$ 153,950
Professional fees <i>(Note 8)</i>	178,073
Office and general	47,799
Share based payments <i>(Note 10)</i>	4,000
Total expenses	(383,822)
Other income	
Interest	1,095
Net loss	(382,727)
Other comprehensive loss	
Exchange differences on translating foreign operations	(2,279)
Net loss and comprehensive loss	\$ (385,006)
Net loss attributable to non-controlling interest <i>(Note 12)</i>	\$ (1,059)
Net loss attributable to parent company	(381,668)
	\$ (382,727)
Net loss and comprehensive loss attributable to non-controlling interest <i>(Note 12)</i>	\$ (1,066)
Net loss and comprehensive loss attributable to parent company	(383,940)
	\$ (385,006)
Loss per share - basic and diluted <i>(Note 3.2)</i>	\$ 0.005
Weighted average number of shares	
outstanding – basic and diluted <i>(Note 3.2)</i>	72,913,631

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Nutritional High International Inc.
Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Reserve for Share based payments	Reserve for Warrants	Reserve for Foreign Exchange	Accumulated Deficit	Non- controlling interest	Total
	Number of Shares	Amount						
Founders shares issued (Note 9)	33,400,000	\$167,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,000
Private placements (Note 9)	27,000,011	675,000	-	-	-	-	-	675,000
Warrants issued (Note 11)	-	(65,000)	-	65,000	-	-	-	-
Issuance of shares to former Sonoma Capital Inc. Shareholders (Note 2.2)	11,513,620	287,840	-	-	-	-	-	287,840
Share based payments (Note 10)	-	-	28,000	-	-	-	-	28,000
Share issue costs (Note 9)	-	(1,358)	-	-	-	-	-	(1,358)
Net loss and comprehensive loss for the period	-	-	-	-	-	(681,155)	-	(681,155)
Balance at July 31, 2014	71,913,631	1,063,482	28,000	65,000	-	(681,155)	-	475,327
Private placements (Note 9)	4,000,000	100,000	-	-	-	-	-	100,000
Warrants issued (Note 11)	-	(24,000)	-	24,000	-	-	-	-
Shares issued on exercise of warrants (Note 9)	3,566,638	195,799	-	(17,467)	-	-	-	178,332
Share based payments (Note 10)	-	-	4,000	-	-	-	-	4,000
Share issue costs (Note 9)	-	(10,219)	-	-	-	-	-	(10,219)
Exchange loss on translating foreign operations	-	-	-	-	(2,272)	-	(7)	(2,279)
Net loss and comprehensive loss for the period	-	-	-	-	-	(381,668)	(1,059)	(382,727)
Balance at October 31, 2014	79,480,269	\$ 1,325,062	\$ 32,000	\$ 71,533	\$ (2,272)	\$ (1,062,823)	\$ (1,066)	\$ 362,434

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Nutritional High International Inc.

Unaudited Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the three months ended October 31	2014
OPERATING ACTIVITIES	
Net Loss	\$ (382,727)
Item not affecting cash:	
Share based payments (Note 10)	4,000
Net change in non-cash working capital :	
HST and other receivables	(8,931)
Accrued interest on loan receivable (Note 5)	(1,082)
Accounts payable and accrued liabilities	130,008
Cash Flow Used in Operating Activities	(258,732)
INVESTING ACTIVITIES	
Property deposits (Note 6)	(5,554)
Cash Flow Used in Investing Activities	(5,554)
FINANCING ACTIVITIES	
Issuance of share capital, net of share issue costs (Note 9)	168,113
Cash Flow From Financing Activities	168,113
Net decrease in cash	(96,173)
Effects of exchange rate changes on cash	(3,410)
Cash at beginning of period	617,066
Cash at end of period	\$ 517,483

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Nutritional High International Inc., (“Nutritional High” or “the Company” or “NHII”), formerly Sonoma Capital Inc. (“Sonoma”) is the parent company of Nutritional High Ltd. (“Nutritional”), Nutritional High (Colorado) Inc. (“NHC”), NHC Edibles LLC (“Edibles”), NH Medicinal Dispensaries Inc. (“Dispensaries”), NH Medicinal (Minnesota) Inc. and Eglinton Medicinal Advisory Ltd. (“EMAL”). The Company’s objective is to take advantage of the changing regulation governing the marijuana industry in the United States and Canada. To date, the Company has not earned revenues and is considered to be a development stage entity. The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

The Company was incorporated under the name “Sonoma Capital Inc.” on July 19, 2004 under the Canada Business Corporations Act.

The Company is in the process of developing brands, trademark applications, and packaging for a confectionery line. The Company is also developing a licensing/franchising system to work with licensed marijuana edibles manufacturers and in this regard, is negotiating with parties who are licensed or seeking a manufacturing license.

The condensed interim consolidated financial statements were approved the Board of Directors on December 23, 2014.

The Company has not yet realized any revenue from its obligations and will not be able to do so until a license/franchise arrangement is negotiated. As such, there is uncertainty with respect to the Company’s ability to continue as a going concern, dependent upon such events as financing, entering into agreements with licensees, commencement of sales and market demand conditions. As is common with development stage companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned activities and to cover administrative costs.

At October 31, 2014 the Company had a working capital of \$334,928, had not yet achieved profitable operations, has accumulated losses of \$1,062,823 and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments (Note 17) as they come due.

2. Basis of Presentation

2.1 Statement of compliance

The Company’s condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations as issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the period ended July 31, 2014.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

On June 27, 2014, the Company completed the acquisition of Nutritional, whereby it acquired all the issued and outstanding shares and warrants of Nutritional and changed its name to "Nutritional High International Inc." The Acquisition constituted a reverse takeover of the Company by Nutritional. Nutritional is considered to be the acquirer for purposes of recording the Acquisition and the consolidated financial statements are therefore, a continuation of the financial statements of Nutritional, adjusted to reflect the legal capital of the Company. Nutritional's date of incorporation was April 17, 2014. The condensed interim consolidated financial statements include activities of Nutritional for the period since incorporation, April 17, 2014, therefore, there are no comparative figures presented in the condensed interim consolidated statements of loss and comprehensive loss and cash flows.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of Nutritional High International Inc. and its wholly-owned subsidiaries Nutritional High Ltd., Nutritional High (Colorado), Inc. and NHC Edibles, LLC with jurisdiction in Colorado, US, NH Medicinals (Minnesota) Inc., 98% owned subsidiary NH Medicinal Dispensaries Inc., and 51% owned subsidiary Eglinton Medicinal Advisory Ltd.

The subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

Non-controlling interest is shown as a component of equity on the statement of financial position and the share of the loss attributable to non-controlling interest is shown as a component of loss for the year in the statement of loss and comprehensive loss.

The functional currency of the parent, Nutritional High Ltd. and Eglinton Medical Advisory Ltd. is the Canadian dollar, which is the presentation currency of the condensed interim consolidated financial statements. The functional currency of US subsidiaries is the US dollar.

2.4 New and revised standards and interpretations to be adopted in the future

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the condensed interim consolidated financial statements of the Company.

IFRS 9 '*Financial Instruments: Classification and Measurement*' – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.4 New and revised standards and interpretations to be adopted in the future (continued)

In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

In September 2014, the IASB issued the Annual Improvements 2012–2014 cycle to make necessary but non-urgent amendments to existing IFRSs. The amendments are effective for annual periods beginning on or after July 1, 2016; however, these amendments are not expected to have a significant impact on the Company's consolidated financial statements.

3. Summary of Significant Accounting Policies

3.1 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 payment transactions, whereby they render services as consideration for equity instruments ("equity settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value of the equity instrument 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 cost is 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 based payment reserve.

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

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Equity settled transactions (continued)

to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.2 Loss per share

Basic loss per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the weighted average number of common and potential common shares outstanding during the period. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from warrants were excluded from the computation of diluted loss per share because they were anti-dilutive for the period ended October 31, 2014.

3.3 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.3 Taxation (continued)

probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.4 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 unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest rate method. The Company's loan receivable and other receivable are classified 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions 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.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.5 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 loss. At October 31, 2014, the Company has not classified any financial liabilities as FVTPL.

3.6 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.7 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount.

3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.9 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.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.10 Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3.11 Share capital

In situations where the Company issues units, the value of warrants is bifurcated and is included as the separate reserve of the Company's equity.

3.12 Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of HST, loan receivable, valuation of deferred income tax amounts, and valuation of warrants and shares issued during private placements and measurement of listing expense.

The most significant judgments relate to recognition of deferred tax assets and liabilities.

3.13 Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period end;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange.

3.14 Operating leases

Payments made under operating lease are recognized in the statement of loss and comprehensive loss on a straight-line basis over the minimum term of the lease.

4. HST and Other Receivables

The Company's HST receivable in the amount of \$30,178 (July 31, 2014 – \$23,747) arose from harmonized sales tax ("HST") due from the Canadian government.

At October 31, 2014, the Company anticipates full recovery of the amount and therefore no impairment has been recorded against this receivable.

5. Loan Receivable

Revolving line of credit of USD \$150,000 to Palo Verde LLC, of which \$34,925 (USD \$30,000) was receivable as at October 31, 2014. Advances are unsecured, bear interest at 12% per annum and mature on July 22, 2015. 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.

6. Property Deposits

The Company through its wholly owned subsidiary NHC Edibles, LLC made a refundable deposit of USD \$20,000 on the purchase of the commercial property located in Colorado, USA with remaining commitment of USD \$865,000 upon closing. The Company completed its acquisition subsequent to the period ended October 31, 2014, as described in Note 17.

The Company through its owned subsidiary NH Medicinal Dispensaries Inc. made a refundable deposit of USD \$5,000 on the purchase of the commercial property located in Illinois, USA with remaining commitment of USD \$345,000 upon closing.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to regular business activities and amounts payable for financing activities. The usual credit period taken for purchases is between 30 to 90 days.

The following is an aged analysis of accounts payable and accrued liabilities:

	As at October 31, 2014	As at, July 31, 2014
	\$	\$
Less than 1 month	132,285	62,321
Over 1 month	117,873	57,829
Total accounts payable and accrued liabilities	250,158	120,150

8. Related Parties and Key Management

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

For the period ended October 31, 2014, the Company incurred fees of \$11,000 from Branson Corporate Services, a Company with a related director. The agreement includes a success fee of \$30,000, payable upon successful completion of the public offering.

For the period ended October 31, 2014, the Company incurred fees of \$24,000 from Foundation Opportunities Inc., a Company with a related director. The agreement includes a success fee of \$70,000, payable upon successful completion of the public offering.

For the period ended October 31, 2014, the Company incurred fees of \$132,944 from Fogler Rubinoff, a law firm in which a director of the Company is a partner.

For the period ended October 31, 2014, the Company issued 1,066,638 shares and 1,066,638 warrants to directors and key management of the Company valued at \$53,332 and \$3,587 respectively as described in Note 9.

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 closing of the 4,000,000 unit subscription as described in Note 9.

Total key management compensation paid amounted to \$55,584 for the period ended October 31, 2014.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at October 31, 2014, \$183,615 (July 31, 2014 - \$106,003) is included in accounts payable and accrued liabilities.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

9. Share Capital

Nutritional High is authorized to issue an unlimited number of common shares without par value.

On April 17, 2014, the Company issued 33,000,000 shares, valued at \$0.005 per share for gross proceeds of \$165,000. On May 12, 2014, the Company issued 400,000 shares, valued at \$0.005 per share for gross proceeds of \$2,000.

On May 16, 2014, the Company completed the first tranche of its non-brokered private placement of 22,106,853 units at \$0.025 per unit for gross proceeds of \$552,671. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

On May 30, 2014, the Company completed the second tranche of its non-brokered private placement of 2,180,798 units at \$0.025 per unit for gross proceeds of \$54,520. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

On June 20, 2014, the Company completed the third tranche of its non-brokered private placement of 2,712,360 units at \$0.025 per unit for gross proceeds of \$67,809. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

Included in the private placements for the period ended July 31, 2014, the Company issued 11,440,798 shares valued at \$76,020 as compensation for services where the fair value of shares was determined based on the value of services received.

Cash costs in connection with the transactions amounted to \$1,358.

On October 8, 2014, the Company closed a subscription for 4,000,000 units at \$0.025 per unit for gross proceeds of \$100,000. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a business combination between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO. In connection with the subscription, the Company paid a finder's fee of \$8,000 and issued an aggregate of 320,000 finder's warrants (Note 8), exercisable into one common share at a price of \$0.025 per share until the earlier of 18 months from the closing date.

On October 31, 2014, 3,566,638 warrants were exercised at \$0.05 per warrant for gross proceeds of \$178,332. An additional \$17,467 credited to share capital represents a transfer of the reserve for warrants in respect of the exercised warrants. The share purchase warrants have been amended to include an early exercise provision of an additional warrant exercisable into one common share at a price of \$0.10 per share until 24 months from the date of issuance. As a result of the amendment, an additional 3,566,638 warrants were issued, as described in Note 11. The terms of any unexercised company warrants outstanding at October 31, 2014 remain unchanged.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

9. Share Capital (continued)

Cash costs in connection with the transactions amounted to \$10,219.

10. Reserve for Share Based Payments

The Company established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately, unless otherwise stated, and expire on the fifth anniversary from the date of issue unless otherwise specified. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the total issued and outstanding Common shares, which was 7,948,027 at October 31, 2014.

The following table reflects the continuity of options for the period ended October 31, 2014:

	Number of Options	Amount \$
Balance – July 31, 2013	-	-
Granted	2,800,000	28,000
Balance – July 31, 2014	2,800,000	28,000
Granted	400,000	4,000
Balance – October 31, 2014	3,200,000	32,000

The weighted average remaining contractual life for outstanding options is as follows:

Exercise Price	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number of Options - exercisable
\$0.10	3,200,000	\$ 0.10	4.70	3,200,000

During the three months ended October 31, 2014, \$4,000 of share based payments was recorded in connection with 400,000 options issued on October 10, 2014, which were vested immediately. An additional 3,550,000 options have been approved by the Board but not yet issued as of the date of the approval of these condensed interim consolidated financial statements.

The estimated fair value of share based compensation during the three months ended October 31, 2014 was determined using the Black-Scholes option pricing model with the following assumptions:

	<u>October 10, 2014</u>
Share price	\$0.020
Risk-free interest rate	1.04%
Expected life of options	5 years
Expected volatility	100%
Expected dividend yield	0%

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
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10. Reserve for Share Based Payments (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Expected volatility is based on comparable companies.

11. Reserve for Warrants

The following table reflects the continuity of warrants for the year ended October 31, 2014:

	Number of Warrants	Amount \$
Balance - from incorporation	-	-
Warrants pursuant to private placement and option agreement	13,650,006	65,000
Balance – July 31, 2014	13,650,006	65,000
Warrants pursuant to private placement	5,886,638	24,000
Warrants exercised	(3,566,638)	(17,467)
Balance – October 31, 2014	15,970,006	71,533

During the three months ended October 31, 2014, the Company issued warrants to purchase common shares, valued at \$24,000 using the Black-Scholes option pricing model using the following assumptions:

	<u>October 8, 2014</u>	<u>October 31, 2014</u>
Number of outstanding exercisable warrants	2,320,000	3,566,638
Share price	\$0.020	\$0.020
Risk-free interest rate	1.14%	1.04%
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Valued at	\$11,000	\$13,000

Warrants to purchase common shares carry exercise prices and terms to maturity at October 31, 2014 as follows:

Date of Issue	No. of warrants	Exercise Price (\$)	Expiry Date
October 8, 2014	2,320,000	0.05	April 8, 2016
June 27, 2014	150,000	0.10	June 26, 2016
October 31, 2014	3,566,638	0.10	October 31, 2016
May 16, 2014	7,536,789	0.05	December 27, 2015
May 30, 2014	1,090,399	0.05	December 27, 2015
June 20, 2014	1,306,180	0.05	December 27, 2015
	<u>15,970,006</u>		

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
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12. Non-controlling Interest

The Company's 98% interest in NH Medicinal Dispensaries Inc. is consolidated into the Company's condensed interim consolidated financial statements. The 2% interest attributable to a minority shareholder is then presented as "non-controlling interest" within shareholders' equity on the condensed interim consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 98% ownership and non-controlling 2% ownership interest. The Company recorded \$165 of the subsidiary's net loss and comprehensive loss related to the non-controlling interest during the three month period ended October 31, 2014.

The Company's 51% interest in Eglinton Medicinal Advisory Ltd. is consolidated into the Company's condensed interim consolidated financial statements. The 49% interest attributable to a minority shareholder is then presented as "non-controlling interest" within shareholders' equity on the condensed interim consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 51% ownership and non-controlling 49% ownership interest. The Company recorded \$901 of the subsidiary's net loss and comprehensive loss related to the non-controlling interest during the three month period ended October 31, 2014.

13. Management of Capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended October 31, 2014. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, reserve for share based payments, reserve for warrants, reserve for foreign exchange, and accumulated deficit, which at October 31, 2014 totaled \$363,500.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

14. Financial Instruments

Fair Value of Financial Instruments

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company designated its cash as fair value through profit and loss, which is measured at fair value and is classified as Level 1.

The carrying value of the Company's accounts receivable (excluding HST), loan receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

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.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates.

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'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 and current liabilities of \$250,158. All of the Company's financial liabilities and receivables, excluding a loan receivable (Note 5), have contractual maturities of less than 90 days and are subject to normal trade terms. As at October 31, 2014, working capital of the Company is \$334,928.

Nutritional High International Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three month period ended October 31, 2014
(expressed in Canadian Dollars)

15. Commitments

- a) On September 1, 2014, EMAL entered into a lease agreement for the EMAL clinic. The lease carries a monthly rent of \$1,000 and a term of 1 year. The lease is expected to commence in January 2015 upon completion of the clinic.
- b) On September 14, 2014, NHCI 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, NHCI 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 as described in Note 17.
- c) Agreements with Foundation Opportunities Inc, and Branson Corporate Services Ltd. were amended to include success fees, as described in Note 8.

16. Operating segments

The Company has two reportable segments: Marijuana-Infused Products Segment and Medical Advisory and Retail Segment. Segmentation is based upon the two distinct business objectives of the Company and reflects the basis on which management measures performance and makes decisions regarding the allocation of resources. The Company has not yet earned revenues, and expenses to date are minimal. Therefore, financial information regarding the results of each reportable segment has not been presented in these condensed interim consolidated financial statements.

17. Subsequent Events

On November 17, 2014, the Company completed its acquisition of the Pueblo Location for a total purchase price of USD \$885,000. The acquisition was financed through the issuance of Senior and Subordinate Debentures, together with working capital.

- a. Senior convertible debenture of \$450,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a first ranking general security interest over all assets of the Company. The senior convertible debenture is convertible into common shares of the Company at any time prior to the maturity date at a price equal to a 20% premium to the price at which the Company completes its going public transaction ("Conversion Price"). If the Company fails to complete the going public transaction on or before January 31, 2015, the Conversion Price will be reduced to \$0.05 per Company share. If the Company completes the going public transaction on or before January 31, 2015, but less than \$1,000,000 is raised, the Conversion Price will be equal to the price at which the Company completes the going public transaction ("Conversion Price Adjustment") and the Company will issue to the holder 450,000 Company shares immediately prior to closing the going public transition.
- b. Subordinate convertible debenture of \$150,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a general security interest over all assets of the Company, subordinate to the senior convertible debenture. The group of lenders are comprised of directors of the Company. The subordinate convertible debenture carries the same Conversion Prices and Conversion Price Adjustment as the senior convertible debenture described above.

Nutritional High International Inc.

Consolidated Financial Statements

For the period from incorporation to July 31, 2014

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Nutritional High International Inc., are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the consolidated statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“David Posner”, Director and CEO
David Posner

“Al Quong”, CFO
Al Quong

INDEPENDENT AUDITORS' REPORT**To the Directors of
Nutritional High International Inc.**

We have audited the accompanying consolidated financial statements of Nutritional High International Inc., and its subsidiaries which comprise the consolidated statement of financial position as at July 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended July 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nutritional High International Inc., and its subsidiaries as at July 31, 2014, and its financial performance and its cash flows for the year ended July 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
November 26, 2014

Nutritional High International Inc.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at July 31,	2014
Assets	
Current	
Cash (Note 14)	\$ 617,066
HST receivable (Note 4)	23,747
Loan receivable (Note 5)	32,712
	673,525
Non-current assets	
Property deposit (Note 6)	21,952
	\$ 695,477
Liabilities	
Current	
Accounts payable and accrued liabilities (Notes 7 & 8)	\$ 120,150
Unissued share capital (Note 9)	100,000
	220,150
Shareholders' Equity	
Share Capital (Note 9)	1,063,482
Reserve for share based payments (Note 10)	28,000
Reserve for warrants (Note 9, 11)	65,000
Accumulated deficit	(681,155)
	475,327
	\$ 695,477

Nature of Operations and Going concern (Note 1)

Subsequent Events (Note 16)

Reverse Takeover Transaction (Note 12)

Approved on behalf of the Board:

"Adam Szweras" Director

"Statis Rizas" Director

The accompanying notes are an integral part of these consolidated financial statements

Nutritional High International Inc.

Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

**For the period
ended July 31,
2014**

Administrative expenses	
Management and consulting fees <i>(Note 8)</i>	\$ 176,244
Professional fees <i>(Note 8)</i>	88,231
Office and general	32,857
Share based payments <i>(Note 10)</i>	28,000
Listing expense <i>(Note 12)</i>	355,823
Net loss and comprehensive loss	\$ 681,155

Loss per share - basic and diluted	0.12¢
Weighted average number of shares outstanding	55,591,495

The accompanying notes are an integral part of these consolidated financial statements

Nutritional High International Inc.

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Share Capital							
	Note	Number of Shares	Amount	Reserve for Share based payments	Reserve for warrants	Accumulated Deficit	Total
Founders shares issued	9	33,400,000	167,000	-	-	-	167,000
Private placements	9	27,000,011	675,000	-	-	-	675,000
Warrants issued	11	-	(65,000)	-	65,000	-	-
Issuance of shares to former Sonoma Capital Inc.							
Shareholders	12	11,513,620	287,840				287,840
Share based payments	10			28,000			28,000
Share issue costs	9	-	(1,358)		-	-	(1,358)
Total loss and comprehensive loss for the period		-	-		-	(681,155)	(681,155)
Balance at July 31, 2014		71,913,631	\$ 1,063,482	\$ 28,000	\$ 65,000	\$ (681,155)	\$ 475,327

The accompanying notes are an integral part of these consolidated financial statements

Nutritional High International Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Note	For the period ended July 31, 2014
OPERATING ACTIVITIES		
Net Loss		\$ (681,155)
Item not affecting cash:		
Listing expense	12	355,823
Share based payments	10	28,000
Net change in non-cash working capital :		
HST receivable		(23,747)
Accounts payable and accrued liabilities, net	12	(69,112)
Cash Flow Used in Operating Activities		(390,191)
INVESTING ACTIVITIES		
Loan advance	5	(32,712)
Property deposit		(21,952)
Cash acquired in reverse takeover transaction	12	121,279
Cash Flow From Investing Activities		66,615
FINANCING ACTIVITIES		
Issuance of share capital, net of share issue costs	9	940,642
Cash Flow From Financing Activities		940,642
Net increase in cash		\$ 617,066
Cash at beginning of period		-
Cash at end of period		\$ 617,066

The accompanying notes are an integral part of these consolidated financial statements

Nutritional High International Inc.
Notes to the consolidated Financial Statements
For the period from incorporation to July 31, 2014
(expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Nutritional High International Inc., (“Nutritional High” or “the Company” or “NHII”), formerly Sonoma Capital Inc. (“Sonoma”) is the parent company of Nutritional High Ltd. (“Nutritional”), Nutritional High (Colorado) Inc. (“NHCI”), and NHC Edibles LLC (“Edibles”). The Company’s objective is to take advantage of the changing regulation governing the marijuana industry in the United States and Canada. To date, the Company has not earned revenues and is considered to be a development stage entity. The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

The Company was incorporated under the name “Sonoma Capital Inc.” on July 19, 2004 under the Canada Business Corporations Act.

The Company is in the process of developing brands, trademark applications, and packaging for a confectionery line. The Company is also developing a licensing/franchising system to work with licensed marijuana edibles manufacturers and in this regard, is negotiating with parties who are licensed or seeking a manufacturing license.

The consolidated financial statements were approved the Board of Directors on October 28, 2014.

On April 24, 2014, Nutritional signed an Option agreement to acquire a 50% interest in a company that is applying for Marijuana for Medical Purposes Regulations (“MMPR”) license for facility located in Haldimand County, Ontario.

On June 26, 2014, Nutritional issued 150,000 warrants pursuant to an option agreement, and may exercise the option at its sole discretion, to acquire a 100% interest in a company that is applying for Marijuana for Medical Purposes Regulations (“MMPR”) license for facility located in Northumberland County, Ontario.

The Company has not yet realized any revenue from its obligations and will not be able to do so until a license/franchise arrangement is negotiated. As such, there is uncertainty with respect to the Company’s ability to continue as a going concern, dependent upon such events as financing, entering into agreements with licensees, commencement of sales and market demand conditions. As is common with development stage companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned activities and to cover administrative costs.

At July 31, 2014 the Company had a working capital of \$453,375, had not yet achieved profitable operations, has accumulated losses of \$681,155 and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments (Note 16) as they come due.

2. Basis of Presentation

2.1 Statement of compliance

The Company’s consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended July 31, 2014.

Nutritional High International Inc.
Notes to the consolidated Financial Statements
For the period from incorporation to July 31, 2014
(expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of Nutritional High International Inc., and its wholly –owned subsidiaries Nutritional High Ltd., Nutritional High (Colorado), Inc. and NHC Edibles, LLC with jurisdiction in Colorado, US.

The subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

The functional currency of the parent and Nutritional High Ltd. is the Canadian dollar, which is the presentation currency of the consolidated financial statements. The function currency of US subsidiaries is the US dollar.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

2.4 New and revised standards and interpretations to be adopted in the future

New standards and interpretations to be adopted in future

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

3. Summary of Significant Accounting Policies

3.1 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 payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

Nutritional High International Inc.
Notes to the consolidated Financial Statements
For the period from incorporation to July 31, 2014
(expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.1 Share based payments (continued)

Share based payment transactions (continued)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share-based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value 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 cost is 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 based payment reserve.

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

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.2 Loss per share

Basic loss per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the weighted average number of common and potential common shares outstanding during the period. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from warrants were excluded from the computation of diluted loss per share because they were anti-dilutive for the year ended July 31, 2014.

3.3 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

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3. Summary of Significant Accounting Policies (continued)

3.3 Taxation (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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3. Summary of Significant Accounting Policies (continued)

3.4 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 unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and-receivables and held to maturity are measured at amortized cost using the effective interest rate method. The Company's loan receivable is classified 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 July 31, 2014 the Company has not classified any financial assets as available for sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions 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.

3.5 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 loss. At July 31, 2014 the Company has not classified any financial liabilities as FVTPL.

3.6 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

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3. Summary of Significant Accounting Policies (continued)

3.6 Impairment of financial assets (continued)

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3.7 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount.

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3. Summary of Significant Accounting Policies (continued)

3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.9 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.

3.10 Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3.11 Share capital

In situations where the Company issues units, the value of warrants is bifurcated and is included as the separate reserve of the Company's equity.

3.12 Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of HST, loan receivable, valuation of deferred income tax amounts, and valuation of warrants and shares issued during private placements and measurement of listing expense.

The most significant judgments relate to recognition of deferred tax assets and liabilities.

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3. Summary of Significant Accounting Policies (continued)

3.13 Foreign currency translation

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period end;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as cumulative translation adjustments.

When a foreign operation is disposed of, the relevant amount in the accumulated translation account in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income.

4. HST Receivable

The Company's HST receivable arose from harmonized sales tax ("HST") due from the Canadian government.

At July 31, 2014, the Company anticipates full recovery of the amount and therefore no impairment has been recorded against this receivable.

5. Loan Receivable

Revolving line of credit of USD \$150,000 to Palo Verde LLC (Note 16), of which \$32,712 (USD \$30,000) was receivable as at July 31, 2014. Advances are unsecured, bear interest at 12% per annum and matures on July 22, 2015.

6. Property Deposit

The Company through its wholly owned subsidiary NHC Edibles, LLC made a refundable deposit on the purchase of the commercial property located in Colorado, USA with remaining commitment of USD \$865,000 upon closing.

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7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to regular business activities and amounts payable for financing activities. The usual credit period taken for purchases is between 30 to 90 days.

The following is an aged analysis of accounts payable and accrued liabilities:

	<u>As at, July 31, 2014</u>
	\$
Less than 1 month	62,321
Over 1 month	57,829
Total accounts payable and accrued liabilities	120,150

8. Related Parties and Key Management

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

For the period ended July 31, 2014 the Company incurred fees of \$9,000 from Branson Corporate Services, a Company with a related director.

For the period ended July 31, 2014 the Company incurred fees of \$59,000 from Foundation Opportunities Inc., a Company with a related director.

For the period ended July 31, 2014 the Company incurred fees of \$59,781 from Fogler Rubinoff, a law firm in which a director of the Company is a partner.

For the period ended July 31, 2014 the Company issued 13,500,000 shares and 1,750,000 warrants to directors of the Company valued at \$137,500 and \$8,750 respectively.

Total key management compensation amounted to \$80,491 for the period ended July 31, 2014 of which \$30,000 represented value of shares where fair value was determined based on the value of services provided.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at July 31, 2014, \$106,003 is included in accounts payable and accrued liabilities.

9. Share Capital

Nutritional High is authorized to issue an unlimited number of common shares without par value.

On April 17, 2014, the Company issued 33,000,000 shares, valued at \$0.005 per share for gross proceeds of \$165,000. On May 12, 2014, the Company issued 400,000 shares, valued at \$0.005 per share for gross proceeds of \$2,000.

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9. Share Capital (continued)

On May 16, 2014, the Company completed the first tranche of its non-brokered private placement of 22,106,853 units at \$0.025 per unit for gross proceeds of \$552,671. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

On May 30, 2014, the Company completed the second tranche of its non-brokered private placement of 2,180,798 units at \$0.025 per unit for gross proceeds of \$54,520. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

On June 20, 2014, the Company completed the third tranche of its non-brokered private placement of 2,712,360 units at \$0.025 per unit for gross proceeds of \$67,809. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

For the period ended July 31, 2014 the Company issued 11,440,798 shares valued at \$76,020 as compensation for services where the fair value of shares was determined based on the value of services received.

Cash costs in connection with the transactions amounted to \$1,358.

On May 28, 2014, there was an additional subscription for 4,000,000 units at \$0.025 per unit for gross proceeds of \$100,000. 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 \$0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a business combination between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO. This subscription is conditional on the Company being listed on a recognized Canadian stock exchange before July 31, 2014. This condition subscription had been extended, and the public listing condition subsequently waived, as described in Note 16.

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10. Reserve for Share Based Payments

The Company established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately, unless otherwise stated, and expire on the fifth anniversary from the date of issue unless otherwise specified. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the total issued and outstanding Common shares, which was 7,191,363 at July 31, 2014.

The following table reflects the continuity of options for the year ended July 31, 2014:

	Number of Options	Amount \$
Balance – July 31, 2013	-	-
Granted	2,800,000	28,000
Balance – July 31, 2014	2,800,000	28,000

- (i) The options granted pursuant on July 7, 2014 and have a fair value of \$28,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.14%	Expected volatility (Based upon comparable public companies)	100%
Dividend yield	nil	Expected life-options	60 months

Options exercise prices and terms to maturity as follows:

Exercise price	Number of outstanding exercisable options	Expiry date	Remaining contractual life (years)
\$ 0.10	2,800,000	60 months	4.9

11. Reserve for Warrants

The following table reflects the continuity of warrants for the year ended July 31, 2014:

	Number of Warrants	Amount \$
Balance - from incorporation	-	-
Warrants pursuant to private placement ⁽ⁱⁱ⁾ and option agreement	13,650,006	65,000
Balance – July 31, 2014	13,650,006	65,000

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11. Reserve for Warrants (continued)

- (ii) The warrants issued pursuant to the private placement on May 16, 2014, May 30, 2014 and June 20, 2014 are described in note 9 above and have a fair value of \$65,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.04 – 1.12%	Expected volatility (Based upon comparable public companies)	100%
Dividend yield	nil	Expected life-warrants	18 months

Warrants to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price	Number of outstanding exercisable warrants	Expiry date	Remaining contractual life (years)
\$ 0.05	13,650,006	December 27, 2015	1.5

12. Reverse Takeover Transaction

On June 27, 2014, Sonoma Capital Inc. (“Sonoma”) closed its reverse takeover transaction (“the Transaction”) with Nutritional, whereby it acquired all of the issued and outstanding securities of Nutritional from the Vendors and changed its name to Nutritional High International Inc. Pursuant to the transaction, the Vendors exchanged an aggregate of 60,400,011 Nutritional shares and 13,650,006 warrants, being all of the issued and outstanding Nutritional shares and warrants held by the Vendors, for the same number of shares and warrants of Sonoma.

Although the Amalgamation will result in a legal combination of Nutritional and Sonoma to form the Resulting Issuer, because Sonoma does not meet the criteria for a business per IFRS 3, from an accounting perspective, the Amalgamation is considered to be a takeover transaction. The Amalgamation is not considered to be a business combination but a capital transaction whereby Nutritional was considered to issue additional shares in return for the net liabilities of Sonoma.

For financial reporting purposes, this is considered a continuation of Nutritional, the legal subsidiary, which was incorporated on April 17, 2014. These consolidated financial statements include the activities of Nutritional for the period from incorporation, April 17, 2014 to July 31, 2014.

The transaction is a reverse acquisition of Sonoma and has been accounted for under IFRS 2, Share-based Payments. Accordingly, the transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of Nutritional to the shareholders of Sonoma. The difference between the fair value of the consideration paid of \$287,840 (based upon the fair value of Nutritional shares just prior to the reverse acquisition) and the Sonoma net liabilities acquired of \$67,983, in the amount of \$355,823, has been recognized as a listing expense in the statement of comprehensive loss for the period ended July 31, 2014.

The results of operations of Sonoma are included in the consolidated financial statements of Nutritional High from the date of the reverse acquisition, June 27, 2014.

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12. Reverse Takeover Transaction (continued)

The following represents management's estimate of the fair value of the net liabilities acquired at June 27, 2014 as a result of the reverse acquisition.

Fair value of share consideration paid (11,513,620 shares at \$.025)		\$287,840
Cash	\$121,279	
Accounts payable and accrued liabilities	<u>(189,262)</u>	
Net liabilities acquired	<u>(67,983)</u>	
		<u>(67,983)</u>
Listing expense		<u>\$355,823</u>

13. Management of Capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended July 31, 2014. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserve for warrants, share based payments and deficit, which as at July 31, 2014 totaled \$475,327.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

14. Financial Instruments

Fair Value of Financial Instruments

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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14. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

The Company designated its cash as fair value through profit and loss, which is measured at fair value and is classified as Level 1.

The carrying value of the Company's loan receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Credit Risk

The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash is in a trust account with the Company's lawyer.

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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2014, the Company had current assets of \$673,525 and current liabilities of \$220,150. All of the Company's financial liabilities and receivables, excluding a loan receivable (Note 5), have contractual maturities of less than 90 days and are subject to normal trade terms. As at July 31, 2014, working capital of the Company is \$453,375.

15. Income Taxes

Provision for Income Taxes

No deferred tax asset has been recognized because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for Canadian income tax purposes of \$293,827 which will expire in 2034.

The Company has share issue costs of \$1,086 available for deduction against future Canadian taxable income over the next four years.

	July 31, 2014
Loss before income taxes	\$ (681,155)
Tax rate	26.50%
Calculated income tax recovery	(180,506)
Non-deductible expense and other	8,061
Non-deductible listing expense	94,293
Change in deferred taxes not recognized	78,152
Income tax expense	\$ -

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15. Income Taxes (continued)

Provision for Income Taxes (continued)

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	July 31, 2014
Deferred income tax assets	
Non-capital loss carry forwards	\$ 77,864
Share issue costs	288
	78,152
Less: Deferred taxes not recognized	(78,152)
	\$ -

16. Subsequent events

- a) On August 19, 2014, the Company incorporated Eglinton Medicinal Advisory Ltd. ("EMAL"), a 51% owned subsidiary with a view of carrying out a medical advisory business jointly with EMAL's partner which owns 49%. EMAL's partner currently owns two stores called "The Dragon", an established marijuana paraphernalia retailer.
- b) On August 22, 2014, NHII entered into a consulting agreement with David Imrie under which he is to serve as an Advisor to the Board of the Company and its affiliates, in establishing the medical and educational clinic, described above. The agreement is effective September 1, 2014 and is for a term of three years. In consideration for the services provided, the consultant, David Imrie, retains 100% of the Ontario Health Insurance Premium billings generated.
- c) On September 1, 2014, EMAL entered into an agreement to lease clinic space. The term of the lease is one year, and ends August 1, 2015. The minimum base rent is \$12,000 per annum.
- d) On September 10, 2014, NHCI incorporated NH Medicinal Dispensaries Inc. ("NHMDI"), a 98% owned subsidiary and has entered into an agreement to purchase property in Lawrenceville, Illinois. The total purchase price for the Lawrenceville Property is USD \$350,000 and closing is conditional on the receipt of environmental documentation if available by the seller, NHCI applying for a Dispensary License by September 15, 2014 and successfully obtaining a Dispensary License. NHMDI has retained legal counsel and submitted an application for the Dispensary License. There is no assurance that the Company will complete an acquisition of the Lawrenceville Property or obtain a Dispensary License, or that the Company will be able to finance such acquisition or investment.
- e) The Company has entered into a conditional lease agreement with Palo Verde (Note 5), whereby Palo Verde will undertake marijuana-infused product manufacturing and marijuana growing operations at the Pueblo, Colorado facility to be purchased by the Company.
- f) On October 8, 2014, the condition of being listed on a recognized Canadian Stock Exchange for the \$100,000 unissued share capital liability was waived and the subscription closed (Note 9).

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16. Subsequent events (continued)

- g) On November 17, 2014, the Company completed its acquisition of the Pueblo Location for a total purchase price of USD \$885,000. The acquisition was financed through the issuance of Senior and Subordinate Debentures, together with working capital.
- Senior convertible debenture of \$450,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a first ranking general security interest over all assets of the Company.
 - Subordinate convertible debenture of \$150,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a general security interest over all assets of the Company, subordinate to the Senior Convertible Debenture. The group of lenders is comprised of directors of the Company.

SONOMA CAPITAL INC.

CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED APRIL 30, 2014 AND 2013

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

The accompanying condensed unaudited interim consolidated financial statements have been prepared by
and are the responsibility of the Company's management.

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SONOMA CAPITAL INC.

Condensed Unaudited Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	<u>April 30, 2014</u>	<u>July 31, 2013</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	<u>\$ 64,099</u>	<u>\$ 176,667</u>
Total Liabilities	<u>\$ 64,099</u>	<u>\$ 176,667</u>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital (note 3)	568,131	520,290
Deficit	<u>(632,230)</u>	<u>(696,957)</u>
Total shareholders' deficiency	<u>(64,099)</u>	<u>(176,667)</u>
Total liabilities and shareholders' deficiency	<u>\$ -</u>	<u>\$ -</u>

Nature of business and going concern (note 1)
Commitments and contingencies (note 6)

APPROVED ON BEHALF OF THE BOARD

"YVAN ROUTHIER"
DIRECTOR

"CLAUDE FORGET"
DIRECTOR

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

SONOMA CAPITAL INC.**Condensed Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)**

	Three months ended April 30, 2014	Three months ended April 30, 2013	Nine months ended April 30, 2014	Nine months ended April 30, 2013
Expenses				
Professional fees	\$ 3,256	\$ 3,806	\$ 11,427	\$ 4,244
Consulting fees	(4,520)	16,998	29,380	50,898
Office and general	-	-	41	72
	<u>1,264</u>	<u>(20,804)</u>	<u>(40,848)</u>	<u>(55,214)</u>
Other income				
Debt forgiveness	<u>105,575</u>	<u>-</u>	<u>105,575</u>	<u>-</u>
Net income (loss) and comprehensive income (loss)	<u>106,839</u>	<u>(20,804)</u>	<u>64,727</u>	<u>(55,214)</u>
Income (loss) per share weighted average number of shares outstanding – basic and diluted				
Income (loss) per share	0.010	(0.002)	0.006	(0.006)
Weighted average number of common shares outstanding				
Basic and diluted	10,918,272	9,600,000	10,033,009	9,600,000

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

SONOMA CAPITAL INC.**Condensed Unaudited Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)**

	<u>Share Capital</u>		<u>Reserves</u>			<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Amount</u>	<u>Share based payments</u>	<u>Warrants</u>			
Balance at July 31, 2012	9,600,000	\$ 520,290	\$ -	\$ -	\$ (623,282)	\$ (102,992)	
Net loss and comprehensive loss for the period	-	-	-	-	(55,214)	(55,214)	
Balance at April 30, 2013	9,600,000	\$ 520,290	\$ -	\$ -	\$ (678,496)	\$ (158,206)	
Net loss and comprehensive loss for the period	-	-	-	-	(18,461)	(18,461)	
Balance at July 31, 2013	9,600,000	\$ 520,290	\$ -	\$ -	\$ (696,957)	\$ (176,667)	
Shares issued for settlement of debt	1,913,620	47,841	-	-	-	47,841	
Net income and comprehensive income for the period	-	-	-	-	64,727	64,727	
Balance at April 30, 2014	11,513,620	\$ 568,131	\$ -	\$ -	\$ (632,230)	\$ (64,099)	

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

SONOMA CAPITAL INC.**Condensed Unaudited Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)**

For the nine months ended April 30,

	<u>2014</u>	<u>2013</u>
Operating Activities		
Net income	\$ 64,727	\$ (34,410)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	<u>(64,727)</u>	<u>34,376</u>
	<u>-</u>	<u>(34)</u>
Net decrease in cash during the period	-	(34)
Cash – beginning of the period	<u>-</u>	<u>34</u>
Cash – end of the period	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

SONOMA CAPITAL INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the three and nine month periods ended April 30, 2014 and 2013

(Expressed in Canadian Dollars)

1. Nature of Business and Going Concern

Sonoma Capital Inc. (the "Company" or "Sonoma") was incorporated under the Canada Business Corporations Act on July 19, 2004. The Company was previously classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4. The Company has nominal assets and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4.

On October 3, 2011, the Company incorporated Sonoma Energy Inc. ("Sonoma Energy") in Nevada, USA. Sonoma Energy does not have operations, assets or liabilities.

The Company filed a final prospectus on January 31, 2007, in Quebec only and is therefore a reporting issuer in Quebec.

The Company did not raise any proceeds relating to this prospectus offering and all deferred share issuance fees relating to this offering were expensed.

The Company's head office is located at 77 King Street West, Suite 3000, Toronto, Ontario M5K 1H1.

During the nine month period ended April 30, 2014, the Company incurred an income of \$64,727 (Year ended July 31, 2013 - \$73,675 loss) and, as of that date, the Company had accumulated deficit of \$632,230 (July 31, 2013 - \$696,957), a working capital deficiency of \$64,099 (July 31, 2013 - \$176,667) and negative cash flows from operations of \$nil (Year ended July 31, 2013 - \$34). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's continuing ability to meet its obligations as they come due is dependent upon continued financial support from related parties (Note 4) and its ability to raise additional funds through the issuance of shares or debt.

These interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

2. Basis of Preparation

2.1 Statement of compliance

These unaudited interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS 34") 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended April 30, 2014 were approved and authorized for issue by the Board of Directors on June 23, 2014.

2.2 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's July 31, 2013, annual financial statements.

SONOMA CAPITAL INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements For the three and nine month periods ended April 30, 2014 and 2013 (Expressed in Canadian Dollars)

2. Basis of Preparation, (continued)

2.3 Adoption of new and revised standards and interpretation

At the date of authorization of these Condensed Unaudited Interim Financial Statements, the International Accounting Standards Board (“IASB”) and the International Financial Reporting Issues Committee (“IFRIC”) has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IAS 32 ‘*Financial instruments, Presentation*’ – In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.
- IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.
- IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.
- IFRIC 21 – Levies (“IFRIC 21”) was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. Earlier adoption is permitted.

3. Share capital

Unlimited common shares authorized, issued and outstanding as follows:

	Number of Shares	Amount
Balance at July 31, 2013	9,600,000	\$ 520,290
Shares issued for settlement of debt	1,913,620	47,841
Balance at April 30, 2014	11,513,620	\$ 568,131

SONOMA CAPITAL INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the three and nine month periods ended April 30, 2014 and 2013

(Expressed in Canadian Dollars)

4. Related party transactions

Cavalry Corporate Solutions Ltd. ("Cavalry") is related as a result of having officers and directors in common with the Company. Foundation Opportunities Inc. ("FOI") is related because it controls Cavalry.

During the nine month period ended April 30, 2014, Cavalry provided \$22,600 (2013 - \$50,850) of financial accounting and consulting services.

During the nine month period ended April 30, 2014, FOI provided \$6,780 (2013 - \$nil) of consulting services.

During the nine month period ended April 30, 2014, the Company issued 904,000 shares (2013 – nil shares) to Cavalry to settle debts in the amount of \$22,600 (2013 - \$nil).

During the nine month period ended April 30, 2014, the Company issued 1,009,620 shares (2013 – nil shares) to FOI to settle debts in the amount of \$25,241 (2013 - \$nil).

Included in accounts payable and accrued liabilities as at April 30, 2014 is \$25,291 (July 31, 2013 - \$137,972) in amounts due to related parties.

5. Capital management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares and deficit, in the definition of capital. As at April 30, 2014, the Company had \$nil (July 31, 2013 - \$nil) in cash and current liabilities of \$64,099 (July 31, 2013 - \$176,667), which is not sufficient for the Company to meet its ongoing obligations.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

6. Commitments and contingencies

The Company and Cavalry entered into a management services agreement on November 25, 2011. The management services agreement includes services for controllership, bookkeeping and corporate secretarial services. In consideration for these services the Company agreed to pay \$5,000 per month until a going public transaction by the Company or as terminated by the Company. As of April 30, 2014, the agreement has been terminated.

7. Financial instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of the Company's cash, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

SONOMA CAPITAL INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the three and nine month periods ended April 30, 2014 and 2013

(Expressed in Canadian Dollars)

8. Financial risk exposure and risk management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for potential acquisitions or businesses with a view of completing a transaction, and limited exposure to credit and market risks.

The types of risk exposures and the way in which such exposures are managed as follows:

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at April 30, 2014, the Company had \$nil (July 31, 2013 - \$nil) in cash and current liabilities of \$64,099 (July 31, 2013 - \$176,667), which is not sufficient for the Company to meet its ongoing obligations. As a result, the Company is susceptible to liquidity risk due to the negative working capital.

(b) Interest rate risk

The Company is not exposed to any significant interest rate risk.

(c) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company is not exposed to any significant credit risk.

9. Subsequent event

On May 27, 2014, the Company received a loan in the amount of \$35,000 from Nutritional High Ltd., bearing interest at 10% per annum. In the event of default the note is repayable immediately.

SONOMA CAPITAL INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2013 AND 2012
(EXPRESSED IN CANADIAN DOLLARS)**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Sonoma Capital Inc.

We have audited the accompanying consolidated financial statements of Sonoma Capital Inc., which comprise the consolidated statements of financial position as at July 31, 2013 and July 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2013 and 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sonoma Capital Inc. as at July 31, 2013 and July 31, 2012 and its financial performance and its cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that may cast significant doubt about Sonoma Capital Inc.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
November 27, 2013
Toronto, Ontario

SONOMA CAPITAL INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	<u>ASSETS</u>	July 31, 2013	July 31, 2012
Current			
Cash		\$ -	\$ 34
Total Assets		<u>\$ -</u>	<u>\$ 34</u>
	<u>LIABILITIES</u>		
Current			
Accounts payable and accrued liabilities		\$ 176,667	\$ 103,026
Total Liabilities		<u>\$ 176,667</u>	<u>\$ 103,026</u>
	<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital (note 5)		520,290	520,290
Deficit		<u>(696,957)</u>	<u>(623,282)</u>
Total shareholders' deficiency		<u>(176,667)</u>	<u>(102,992)</u>
Total liabilities and shareholders' deficiency		<u>\$ -</u>	<u>\$ 34</u>

Nature of business and going concern (note 1)
 Commitments and contingencies (note 8)

APPROVED ON BEHALF OF THE BOARD

"YANNIS BANKS"
 DIRECTOR

"CLAUDE FORGET"
 DIRECTOR

(See accompanying notes to the consolidated financial statements.)

SONOMA CAPITAL INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended July 31,	2013	2012
Expenses		
Professional fees	\$ 5,754	\$ 17,168
Consulting fees	67,848	127,427
Filing fees	-	2,803
Office and general	73	(377)
Total expenses	(73,675)	(147,021)
Other (income) expenses		
Loss on write down of note receivable (note 4)	-	217,107
Recovery of expenses	-	(4,990)
Interest income (note 4)	-	(12,107)
Net loss and comprehensive loss	\$ (73,675)	\$(347,031)
Loss per share weighted average number of shares outstanding		
– basic and diluted		
Loss per share	(0.008)	(0.038)
Weighted average number of common shares outstanding		
Basic and diluted	9,600,000	9,246,994

(See accompanying notes to the consolidated financial statements.)

SONOMA CAPITAL INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Reserves</u>		<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Amount</u>	<u>Share based payments</u>	<u>Warrants</u>		
Balance at August 1, 2011	3,800,000	\$ 240,000	\$ -	\$ -	\$ (276,251)	\$ (36,251)
Common stock issued in private placement	5,600,000	280,000	-	-	-	280,000
Common stock issued for settlement of debt and for services	200,000	10,000	-	-	-	10,000
Cost of share issuance - cash		(9,710)	-	-	-	(9,710)
Net loss and comprehensive loss for the year	-	-	-	-	(347,031)	(347,031)
Balance at July 31, 2012	9,600,000	\$ 520,290	\$ -	\$ -	\$ (623,282)	\$ (102,992)
Net loss and comprehensive loss for the year	-	-	-	-	(73,675)	(73,675)
Balance at July 31, 2013	9,600,000	\$ 520,290	\$ -	\$ -	\$ (696,957)	\$ (176,667)

(See accompanying notes to the consolidated financial statements.)

SONOMA CAPITAL INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended July 31,	2013	2012
Operating Activities		
Net loss	\$ (73,675)	\$ (347,031)
Adjustments for non-cash items:		
Loss on write down of note receivable	-	217,107
Common stock issued for services provided	-	5,000
Recovery of expenses	-	4,990
Changes in non-cash working capital items:		
Accounts receivable	-	(8,551)
Accounts payable and accrued liabilities	73,641	62,553
	(34)	(65,932)
Financing Activities		
Issuance of share capital, net of issue costs	-	270,290
	-	270,290
Investing Activities		
Loans provided to investee	-	(205,000)
	-	(205,000)
Net decrease in cash during the period	(34)	(642)
Cash – beginning of the year	34	676
Cash – end of the year	\$ -	\$ 34

(See accompanying notes to the consolidated financial statements.)

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

1. Nature of Business and Going Concern

Sonoma Capital Inc. (the "Company" or "Sonoma") was incorporated under the Canada Business Corporations Act on July 19, 2004. The Company was previously classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4. The Company has nominal assets and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4.

On October 3, 2011, the Company incorporated Sonoma Energy Inc. ("Sonoma Energy") in Nevada, USA. Sonoma Energy does not have operations, assets or liabilities.

The Company filed a final prospectus on January 31, 2007, in Quebec only and is therefore a reporting issuer in Quebec.

The Company did not raise any proceeds relating to this prospectus offering and all deferred share issuance fees relating to this offering were expensed.

The Company's head office is located at 77 King Street West, Suite 3000, Toronto, Ontario M5K 1H1.

During the year ended July 31, 2013, the Company incurred a loss of \$73,675 (2012 - \$347,031) and, as of that date, the Company had accumulated deficit of \$696,957 (2012 - \$623,282), a working capital deficiency of \$176,667 (2012 - \$103,026) and negative cash flows from operations of \$34 (2012 - \$65,932). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's continuing ability to meet its obligations as they come due is dependent upon continued financial support from related parties (Note 6) and its ability to raise additional funds through the issuance of shares or debt.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

2. Basis of Preparation

2.1 Statement of compliance

The Company's Consolidated Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended July 31, 2013.

The consolidated financial statements of the Company for the year ended July 31, 2013 were approved and authorized for issue by the Board of Directors on November 27, 2013.

2.2 Basis of presentation

The audited consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

2.3 Adoption of new and revised standards and interpretation

At the date of authorization of these Financial Statements, the International Accounting Standards Board ("IASB") and the International Financial Reporting Issues Committee ("IFRIC") has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements For the Years Ended July 31, 2013 and 2012 (Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

2.3 Adoption of new and revised standards and interpretation (continued)

- IAS 28 '*Investments in Associates and Joint Ventures*' - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 32 '*Financial instruments, Presentation*' – In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

3. Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, Sonoma Energy. Sonoma Energy was incorporated on October 3, 2011, in the state of Nevada and is a subsidiary entity controlled by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the date control commences until the date that control ceases.

Business acquisitions are accounted for using the acquisition method.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

b) Functional and presentation currency

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's and its subsidiaries' functional and presentation currency.

c) Cash

Cash consists of cash on deposit with a bank in a general non-interest bearing account and funds held in trust by the Company's lawyers.

d) Financial instruments

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 and at fair value through profit and loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Cash is classified as fair value through profit or loss.

Financial assets classified as held-to-maturity and loans and receivables are measured at amortized cost using the effective interest rate method.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

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 equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which measured at cost. The Company does not have any financial assets classified as available-for-sale.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through the profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has not classified any financial liabilities as fair value through the profit and loss.

e) Income taxes

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company uses the fair value method of accounting for options granted under share purchase option plans. Options granted to directors, officers and employees are measured at the fair value of the options granted at the grant date, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is 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. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation previously included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

e) Income taxes (continued)

The costs of equity-settled transactions for services or debt are measured by reference to the fair value at the date on which they are granted.

f) Share based payments

The Company operates a stock option plan as part of its compensation of directors, officers, employees, or consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase in stock-based compensation expense and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase in capital stock. In the event that the vested stock options expire, previously recognized stock-based compensation is not reversed. In the event that stock options are forfeited, previously recognized stock-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods or services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the good or services.

g) Other comprehensive income

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available-for-sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. At present, the Company has no other comprehensive income or loss.

h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

SONOMA CAPITAL INC.
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2013 and 2012
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding, if any, that may add to the total number of common shares. If the number of common shares outstanding increases or decreases as a result of share split or consolidation, the calculation of basic and diluted loss per share for all periods presented, is adjusted retrospectively.

j) Accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of accounts receivable and notes receivable and the fair value of financial assets and liabilities. Actual results may differ from those estimates.

4. Notes receivable

As at July 31, 2012, the Company had provided loans to Caldera Geothermal Inc. ("Caldera") aggregating \$205,000. The notes receivable bear interest at 8% per annum, are unsecured, due on demand and have no specific repayment date.

Caldera is a related party by virtue of certain common shareholders.

As at July 31, 2012, the Company determined that the loan to Caldera will likely not be recovered and as such, has recorded a write down of the loan and interest receivable to \$nil.

SONOMA CAPITAL INC.
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2013 and 2012
(Expressed in Canadian Dollars)

5. Share capital

Unlimited common shares authorized, issued and outstanding as follows:

	Number of Shares	Amount
August 1, 2011	3,800,000	240,000
Shares issued under private placement (i)	5,600,000	280,000
Shares issued for settlement of debt and services provided (ii)	200,000	10,000
Cost of share issuance		(9,710)
July 31, 2012 and 2013	9,600,000	\$ 520,290

(i) Between August 23, 2011 and September 26, 2011, the Company completed a private placement of 5,600,000 common shares for aggregate cash consideration of \$280,000, at \$0.05 per common share.

(ii) On August 2, 2011, the Company issued 100,000 common shares to a director and shareholder of the Company in full and complete repayment of a \$5,000 promissory note. On August 31, 2011, the Company issued 100,000 common shares to Foundation Opportunities Inc. ("FOI") for payment of \$5,000 in consulting services provided, valued at \$0.05 per common share.

6. Related party transactions

Cavalry Corporate Solutions Limited ("Cavalry") is related as a result of having officers and directors in common with the Company. Foundation Opportunities Inc. ("FOI") is related because it controls Cavalry.

On August 2, 2011, the Company settled a promissory note due to a director and shareholder of the Company in the amount of \$5,000 through the issuance of 100,000 shares of common stock (note 5).

During the year ended July 31, 2013, Cavalry provided \$67,800 (2012 - \$68,515) of financial accounting and consulting services. Also, during the year ended July 31, 2013, FOI invoiced the Company \$nil (2012 - \$50,850) for strategic consulting services, of which \$5,000 was paid through the issuance of 100,000 shares of the Company's common stock.

Included in accounts payable and accrued liabilities as at July 31, 2013 is \$137,972 (July 31, 2012 - \$62,975) in amounts due to related parties.

7. Capital management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares and deficit, in the definition of capital. As at July 31, 2013, the Company had \$nil (July 31, 2012 - \$34) in cash and current liabilities of \$176,667 (July 31, 2012 - \$103,026), which is not sufficient for the Company to meet its ongoing obligations.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

8. Commitments and contingencies

The Company and Cavalry entered into a management services agreement on November 25, 2011. The management services agreement includes services for controllership, bookkeeping and corporate secretarial services. In consideration for these services the Company agreed to pay \$5,000 per month until a going public transaction by the Company or as terminated by the Company.

9. Financial instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of the Company's cash and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments

10. Financial risk exposure and risk management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for potential acquisitions or businesses with a view of completing a transaction, and limited exposure to credit and market risks.

The types of risk exposures and the way in which such exposures are managed as follows:

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligation out of cash. The Company is susceptible to liquidity risk due to the negative working capital. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(b) Interest rate risk

The Company is not exposed to any significant interest rate risk.

(c) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company is not exposed to any significant credit risk.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements For the Years Ended July 31, 2013 and 2012 (Expressed in Canadian Dollars)

11. Income taxes

(a) Income tax expenses

Reported income tax expense differs from the amounts computed by applying current tax rates to the loss before income taxes due to the following:

	2013	2012
Loss before income taxes	\$ (73,675)	\$ (347,031)
Statutory rate	26.50%	27.33%
Expected income tax recovery	(19,500)	(94,800)
Non-deductible expenses and other	1,400	200
Change in rates	1,100	5,600
Change in deferred tax assets not recognized	17,000	89,000
Income tax expense	\$ -	\$ -

(b) Future income taxes

The tax effect of significant differences that give rise to future income taxes is as follows:

	2013	2012
Non-capital loss carry forwards	\$ 135,000	\$ 112,000
Capital loss carry forwards	27,000	27,000
Share issuance costs	1,000	2,000
Net future tax asset	163,000	141,000
Less: deferred tax assets not recognized	(163,000)	(141,000)
	\$ -	\$ -

The Company has determined that the realization of a future tax asset is not probable and therefore the future tax asset has not been recorded.

SONOMA CAPITAL INC.

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

11. Income taxes, (continued)

(c) Loss and tax credit carryforwards

As at July 31, 2013 the Company has non-capital losses which are available to reduce future year's taxable income. The potential income tax benefits associated with these losses have not been recorded in the accounts. The approximate amounts and expiry dates of these non-capital loss carry forwards are as follows:

2027	\$ 81,700
2028	23,400
2029	4,000
2030	55,600
2031	57,600
2032	240,400
2033	75,600
<hr/>	
	\$ 538,300
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As at July 31, 2013 the Company also has capital losses which do not expire in the amount of \$217,107 that are available to reduce future capital gains.

SCHEDULE "A"
NUTRITIONAL HIGH INTERNATIONAL INC.
AUDIT COMMITTEE CHARTER

The purpose of the Audit Committee of the Board (the "**Board**") of Nutritional High International Inc. (the "**Corporation**") is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company's processes to manage business and financial risk, and on compliance with significant applicable legal, ethical and regulatory requirements.

MEMBERSHIP

The membership of the Audit Committee shall consist of at least two directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. A majority of the members of the Audit Committee must be financially literate, that is having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The Chair of the Audit Committee shall be appointed by the full Board.

COMMUNICATIONS AND REPORTING

The Audit Committee is expected to maintain free and open communication with the external auditors, the internal accounting staff, and the Company's management. This communication shall include private executive sessions, at least annually, with each of these parties. The Audit Committee chairperson shall report on Audit Committee activities to the full Board.

AUTHORITY

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other advisors and experts for this purpose. The Audit Committee shall be empowered to set and pay the compensation for any such advisors employed by the Audit Committee. The Audit Committee shall have the authority to communicate directly with the external auditors of the Company.

RESPONSIBILITIES

Oversight

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor regarding financial reporting.

Recommend Auditor

The Audit Committee must recommend to the Board the external auditor to be nominated (subject to shareholder approval) for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor.

Pre-Approve Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by the Company's external auditor.

Review Financial Disclosure

The Audit Committee must review the Company's financial statements, management's discussion and analysis (MD&A) and annual and interim financial press releases, if any, before the Company publicly discloses this information.

The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

Reliance on Management and Auditors

The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the external auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The external auditor is responsible for auditing the Company's financial statements. The Audit Committee should assure itself that the Company's internal policies, procedures and controls are adequate and are being implemented and followed.

Relationship with Auditors

The Audit Committee is also responsible for ensuring that the Company's external auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditors and the Company and actively engaging in a dialogue with the external auditors with respect to any disclosure relationships or services that may impact the objectivity and independence of the external auditors and for taking appropriate action to ensure the independence of the external auditors within the meaning of applicable Canadian law.

Guidelines for Audit Committee

With respect to the exercise of its duties and responsibilities, the Audit Committee should, among other things:

1. report regularly to the Board on its activities, as appropriate;
2. exercise reasonable diligence in gathering and considering all material information;
3. remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions;
4. understand and weigh alternative courses of conduct that may be available;
5. focus on weighing the benefit versus harm to the Company and its shareholders when considering alternative recommendations or courses of action;
6. if the Audit Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Audit Committee in fulfilling its duties and responsibilities; and
7. provide management and the Company's independent auditors with appropriate opportunities to meet privately with the Audit Committee.

MEETINGS

The Audit Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Audit Committee shall meet at least annually with management and the Company's external auditors to discuss any matters that the Audit Committee or each of these groups or persons believe should be discussed privately. In addition, the Audit Committee should meet or confer with the external auditors and management to review the Company's interim

consolidated financial statements and related filings prior to their filing with any regulatory body. The Chairman should work with the Chief Financial Officer and management to establish the agendas for Audit Committee meetings. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall maintain minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board to be included in the minute books of the Company.

SCHEDULE "A"
NUTRITIONAL HIGH INTERNATIONAL INC.
AUDIT COMMITTEE CHARTER

The purpose of the Audit Committee of the Board (the "**Board**") of Nutritional High International Inc. (the "**Corporation**") is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company's processes to manage business and financial risk, and on compliance with significant applicable legal, ethical and regulatory requirements.

MEMBERSHIP

The membership of the Audit Committee shall consist of at least two directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. A majority of the members of the Audit Committee must be financially literate, that is having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The Chair of the Audit Committee shall be appointed by the full Board.

COMMUNICATIONS AND REPORTING

The Audit Committee is expected to maintain free and open communication with the external auditors, the internal accounting staff, and the Company's management. This communication shall include private executive sessions, at least annually, with each of these parties. The Audit Committee chairperson shall report on Audit Committee activities to the full Board.

AUTHORITY

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other advisors and experts for this purpose. The Audit Committee shall be empowered to set and pay the compensation for any such advisors employed by the Audit Committee. The Audit Committee shall have the authority to communicate directly with the external auditors of the Company.

RESPONSIBILITIES

Oversight

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor regarding financial reporting.

Recommend Auditor

The Audit Committee must recommend to the Board the external auditor to be nominated (subject to shareholder approval) for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor.

Pre-Approve Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by the Company's external auditor.

**CERTIFICATE OF THE COMPANY
AND OF THE PROMOTERS**

Dated: January 29, 2015

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, British Columbia and Alberta.

(signed) DAVID POSNER
President, Chief Executive Officer and Director

(signed) AL QUONG
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) MICHAEL PESNER
Director

(signed) STATIS RIZAS
Chairman of the Board and Director

PROMOTERS

FMI CAPITAL ADVISORY INC. (formerly
known as Foundation Opportunities Inc.)
Per: *(signed)* Jeremy Goldman, President

(signed) STATIS RIZAS
Chairman of the Board and Director

(signed) DAVID POSNER
President, Chief Executive Officer and Director

CERTIFICATE OF AGENT

Dated: January 29, 2015

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of Ontario, British Columbia and Alberta.

JACOB SECURITIES INC.
Per: (*signed*) MANNI BUTTAR
President and Chief Operating Officer