MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED APRIL 30, 2017

June 29, 2017

Management's discussion and analysis (MD&A) is current to June 29, 2017 and is management's assessment of the operations and the financial results of Nutritional High International Inc. ("**Nutritional High**", or the "**Company**"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the nine months ended April 30, 2017, 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 is a publicly traded company incorporated in Canada on July 19, 2004, under the *Canada Business Corporations Act*. The Company's objective is to take advantage of the changing regulation governing the marijuana industry in the United States and Canada. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1. The Company is listed on the Canadian Securities Exchange ("**CSE**") under symbol "**EAT**". The Company is also listed on the OTCQB Marketplace under US symbol: "**SPLIF**", and the Frankfurt Stock Exchange under the symbol: "**2NU**".

The table below lists the Company’s subsidiaries and investments in affiliates:

	% ownership		**Accounting**
Subsidiary/Affiliate	**April 30, 2017**	**July 31, 2016**	**method**
NHII Holdings Ltd. ("NHHL"), formerly Nutritional High Ltd.	100%	100%	Consolidation
NHC IP Holdings Corp. ("NHCIP"), formerly NH Real Estate Holdings Ltd.**	100%	100%	Consolidation
Nutritional High (Colorado) Inc. ("NHCI")	100%	100%	Consolidation
NH Properties Inc. ("NHPI")	100%	100%	Consolidation
NH Medicinals (Maryland) Inc. ("NHMMI") *	-	100%	Consolidation
NHC Edibles LLC ("NHC")	100%	100%	Consolidation
NH Medicinal (Minnesota) Inc. ("NHMM")	100%	100%	Consolidation
Nutritional High (Oregon) LLC ("NHOL")	100%	100%	Consolidation
Nutritional Traditions Inc. ("NTI")	100%	100%	Consolidation
Nutritional IP Holdings LLC ("NIPH”) **	100%	-	Consolidation
NH (Oregon) Properties LLC (“NHOP”) **	100%	-	Consolidation
NH Processing (Nevada) Inc. (“NHPN”) **	100%	-	Consolidation
NH Operations LLC (“NHOC”) **	100%	-	Consolidation
NH Nevada LLC (“NHNC”) **	100%	-	Consolidation
Growco Nevada Inc. (“GNI”) **	100%	-	Consolidation
NH (Pennsylvania) LLC (“NHPL”) **	100%	-	Consolidation
NH Properties (Nevada) LLC (“NPNL”) **	100%	-	Consolidation
Eglinton Medicinal Advisory Ltd. (“EMAL”)	51%	51%	Consolidation
NH Medical Dispensaries LLC ("NHMD")	50%	100%	Equity
Small’s Mill Holdings Inc. ("SMHI")	50%	100%	Equity
Aura Health Corp. ("Aura")	24%	-	Equity

* NHMMI was dissolved on October 19, 2016.
** Incorporated after July 31, 2016.

The Company's business is focused on developing and acquiring products (including formulae and recipes), and brands for its Marijuana-Infused Products lines ("**Marijuana-Infused Products Segment**"), for sale by the Company where it has secured the required licensing, or for use by licensed operators ("**Licensed Operators**") entering into royalty or packaging agreements with the Company in jurisdictions where permitted. Geographically the Company's is primarily focused on the Cole Memo compliant US states which have legalized marijuana for medical or adult recreational use and have obtained a requisite license ("**License**") to conduct the business in the marijuana industry. "**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, as may be supplemented or amended.

Through NHMD, Nutritional High is retailing marijuana products to medical marijuana patients in the State of Illinois. With respect to its Colorado project, Nutritional High has recognized accrued rent, earned interest and consulting income and is in the process of entering into royalty or packaging agreement with Palo Verde LLC, which has recently commenced production of cannabis bulk oil. As such, the Company is considered to be a development stage entity.

On March 13, 2015, the Company completed its initial public offering and listed its Common Shares on the CSE under the symbol "**EAT**". The Common Shares are also listed on the OTCQB under "SPLIF" and the Frankfurt Exchange under "2NU".

As at April 30, 2017, the members of Company's management and Board of Directors consisted of:

Name	Position
Jim Frazier	Chief Executive Officer
Amy Stephenson	Chief Financial Officer
Adam Szweras	Secretary and Director
David Posner	Chairman of the Board
David Caplan	Director
Brian Presement	Director
Billy Morrison	Director, Executive VP, Extraction of NHC
Robert Keeler	Director
Andres Tinajero	Director

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

Business Overview

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

The Company has actively pursued projects, acquisitions or has active operations in the following US States, which remain of primary focus:

- State of Colorado – West Pueblo Project;
- State of Illinois – The Clinic Effingham;
- State of Nevada – Henderson Project;
- State of Oregon – La Pine Project.

The Company has made a number of strategic investments into projects with other companies, including:

- Acquisition of interest in Aura Health Corp;
- Letter of Intent with Lakeside Minerals for Colorado Joint-Venture and Nevada Joint-Venture.

In the past three-years the Company has acquired intellectual property and internally developed brand lines or products, which include:

- Agreement to acquire Dab Stick technology;
- Jimi Hendrix Rights Acquisition;
- FLI Brand.

Business Model Overview

The Company's business model differs depending on whether an applicable jurisdiction has a restriction on ownership, whereby the Licensed Operators and their owners are required to be residents of that jurisdiction ("**Residency Requirements**"). 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. In the U.S. states where the applicable regulations permit minority ownership in the Licensed Operators for the entities which are note residents of that U.S. state, the Company may acquire an interest in the Licensed Operators.

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 a licensing and compliance regime for Licensed Operators, in a manner compliant with the Cole Memo.

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.

In certain jurisdictions, and more specifically in the U.S. states with the Residency Requirements, the Company may conduct business in the value chain segments, which do not require a License from the requisite regulatory authorities. Such ancillary value chain segments do not directly handle, process, manufacture, cultivate or distribute cannabis products, and may include: secured and unsecured lending, leasing of real estate to licensed operators, equipment leasing, providing non-cannabis raw materials (such as packaging, food ingredients, etc.), consulting, and provision of intellectual property and know-how. The focus of this strategy is to provide the services to Licensed Operators that are focused on extraction and processing of cannabis derivatives to enable them to attain a stronger competitive advantage in the market, while proving an acceptable economic return to the Company.

In certain circumstances, the Company may pursue business opportunities in other value chain segments, such as operating a dispensary or make strategic investments. The aim of this strategy is to secure a foothold in such markets, through obtaining a License to operate a business that is not directly related to extraction/processing and then partner with another Licensed Operator that is able to operate in the extraction/processing space. The Company has employed this type of strategy in the State of Illinois, where it has obtained a dispensary License, but has also partnered with another Licensed Operator to be in a position to sell its products in Illinois at a future date.

State of Colorado – West Pueblo Project

In the State of Colorado, licensed cannabis businesses are subject to Residency Requirements, which preclude Nutritional High and its subsidiaries from having an interest in any proceeds from production, processing, or retailing activities. Nutritional High has a lease agreement and loan agreements with Palo Verde LLC ("**Palo Verde**"), a Licensed Operator in Colorado, and is negotiating other commercial agreements with Palo Verde, including branded packaging agreements. The Company earns rental income, interest income and consulting income and income from non-cannabis products, from Palo Verde, which has recently commenced production of cannabis oil. Accordingly, Nutritional High is a landlord, lender and consultant, and a licensor of its FLI brand in Colorado and ensures that all products under the FLI brand and Nutritional High brand meet or exceed the Company's brand quality and standards.

Palo Verde sells vape pen cartridges to dispensaries and expects to launch the sale of other cannabis-infused products in short order such as gelatine caps, disposable vape pens, dab sticks, and various edibles as developed by the Company. In this regard, the Company is also finalizing a materials and packaging agreement to provide its intellectual property including recipes, branding, packaging and other know-how to Palo Verde, including the right to use its FLI Brand. The Company anticipates entering into such agreement with the Palo Verde in 2017.

State of Illinois – The Clinic Effingham

In the State of Illinois, Nutritional High is retailing marijuana products to medical marijuana patients through NHMD operating as The Clinic Effingham ("**TCE**") in Effingham, Illinois. NHMD is a 50-50 joint-venture with an Illinois investor group ("**ILDISP**") with experience in marijuana products. ILDISP is the operator of TCE and will receive a fee based on TCE's net profit. Nutritional High has also entered into agreement with an Illinois cannabis cultivation and extraction facility to develop a framework under which the extraction facility will manufacture and distribute our oils and edibles in Illinois. The agreement provides the Company the right to negotiate a framework in good faith.

Since its grand opening in September 2016, The Clinic Effingham has experienced a strong month-to-month growth in sales and stable gross margins, which are attributed to an expanding patient count and a strong patient and physician outreach program. TCE achieves a monthly returning patient rate of over 90%, which demonstrates a strong and loyal customer base. To service the patient base, TCE has started working with more cultivators licensed with Illinois Department of Agriculture to expand its product offering, and has also hired additional staff in the effort to provide exceptional customer service. Given the current pace of business, the need for further capital investment has been greatly reduced and the business is running on a profitable basis before tax.

State of Nevada – Henderson Project

On January 26, 2017, the Company announced that it has entered into definitive agreements to acquire the provisional producer and processor licenses (the "**NV Licenses**") in Henderson, Nevada and a real estate property to which the Licenses are attached. The Company has received consent from the State of Nevada Department of Health and Human Services ("**Department**") to transfer the NV Licenses in Henderson, Nevada to Nutritional High. The Company is currently awaiting an approval from the City of Henderson for the transfer of the business licenses ("**Henderson Business License**") as a precondition to utilize the Licenses issued by the Department. The acquisition of the Licenses by the Company will be completed once the Company has received the final approval for the Business License Transfer from the City.

The Company has announced its intention to move the location of the medical marijuana establishment ("**MME**") in Nevada to another location in the City of Henderson and has applied to the City to approve such relocation. The new location is comprised of a 17,500 square foot freestanding industrial building, with approximately 15,500 of warehouse space. It is intended that Nutritional High will remodel a portion of the building for the purpose of developing an extraction and marijuana infused products manufacturing facility, using the same technology and processes that it has developed in West Pueblo, CO. It is also intended that a portion of the building will be acquired by Lakeside Minerals Inc., with a view of constructing a cultivation facility, as announced in a joint press release dated February 28, 2017. Upon receiving approval from the City of Henderson for both the transfer of the Business Licenses to Nutritional High and the moving of the MME location, the Company will seek approval from the Department to move the location. The key terms of the purchase of the Property are as follows:

- Purchase Price of US$2.31 million with a deposit of US$100,000 payable on signing of the purchase and sale agreement;
- Closing is conditional on the approval of the Department to relocate the Licenses;
- If the acquisition is not closed prior to July 1, 2017, the Purchase Price is subject to escalating increases up to $2.4 million with a drop-dead date of September 1, 2017;

State of Oregon – La Pine Project

The Company has closed an acquisition of a real estate property located in La Pine, Oregon ("**La Pine Property**") where the Company intends to extract cannabis oil, and manufacture cannabis infused products. The Company is in the advanced stages of an application process with Oregon Liquor Control Commission ("**OLCC**") to obtain a License to manufacture cannabis concentrates and edibles for the adult-use market in Oregon ("**Recreational Processing License**").

The Company has also been working with architect and engineering teams out of Bend, OR, to finalize the design of the facility and work with local authorities to apply for requisite local permits to start re-modelling of the facility.

Earlier this year the Company has secured the necessary building permits from Deschutes County Community Development Department ("**DCCDD**") enabling the Company to commence the remodelling of the facility. The construction is expected to take approximately three to four months, and will be followed by the installation of equipment, which is currently being ordered to minimize the lead time to commence production.

After completing the construction, the facility will be inspected by the Oregon Department of Agriculture ("**DOA**") and OLCC, upon successful completion of which the Recreational Processing License from the State of Oregon will be granted. The final steps in the permitting process include the inspection by the DCCDD, and certain departments of The City of La Pine, including the fire chief, planning department and the City manager. Licensed cannabis companies in the State of Oregon are not subject to Residency Requirements. As such, the Licensed Operator will be wholly owned by Nutritional High.

Regulatory Overview

In the Cole Memo, the U.S. Department of Justice acknowledged that certain US 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 states have legalized or decriminalized the use, sale and manufacture of marijuana. The Company's operations are compliant with the Cole Memo.

On December 16, 2014, President Obama signed the H.R.83 - Consolidated and Further Continuing Appropriations Act, 2015 ("**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*".

On May 5, 2017, US President Trump signed into law H.R. 244, the Consolidated Appropriations Act, 2017, which authorizes appropriations that fund the operation of the Federal Government through September 30, 2017. Section 587 of the Consolidated Appropriations Act 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.

The provisions of Internal Revenue Code section 280E are being applied by the Internal Revenue Service ("**IRS**") to businesses operating in the medical and recreational marijuana industry. Section 280E of the IRS prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

There is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. The Trump administration and the Congress could decide to enforce U.S. federal laws vigorously.

Regulations differ significantly amongst the U.S. states. Some U.S. states only permit the cultivation, processing and distribution of medical marijuana and marijuana-infused products. Some U.S. states may also permit the cultivation, processing and distribution of marijuana for recreational purposes and retail marijuana-infused products.

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 last adopted in April 2017, by the State of Colorado, Licensed Operators are subject to Residency Requirements. Marijuana Enforcement Division of the Colorado Department of Revenue oversees the medical and retail marijuana programs in the State of Colorado.

On August 1, 2013, Illinois enacted the means Compassionate Use of Medical Cannabis Pilot Program Act (Illinois) ("**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. The statute that sets out the regulations for dispensaries is: Title 68; Chapter VII; Subchapter b of the Illinois Administrative Code, titled "Rules for Administration of The Compassionate Use of Medical Cannabis Pilot Program. ("**IDFPR Rules**"). IDFPR Rules impose a number of restrictions on the affairs of the Dispensary, including rules pertaining to changes in ownership structure, addition of new dispensary agents and principal officers, entry into management agreements, bonding rules, changing the location of dispensary and setting the criteria for annual renewals. IDFPR Rules may change at any time there is no certainty that changes will not adversely affect the Company's operations, as the changes are subject to IDFPR review and approval.

As of November 2016, both recreational and medical marijuana are legal in Nevada. The Nevada Medical Marijuana Act, also known as Question 9, was approved on November 7, 2000, effectively legalizing the possession and use of marijuana for the treatment or alleviation of certain illnesses upon advice of a physician. Anyone eighteen years and older with a valid medical marijuana card can purchase cannabis legally in Nevada. Minors can also qualify for a medical card as long as a parent or guardian signs the Minor Release Form and agrees to act as the child's primary caregiver. The Nevada Marijuana Legalization Initiative, also known as Question 2, was approved in November 2016, and effectively legalized the recreational use of one ounce or less of marijuana by individuals 21 years and over. Recreational users who are 21 years of age and older are now able to purchase up to one ounce of cannabis at a time.

In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act," creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed retail marijuana stores. OLCC licenses and regulates adult-use marijuana businesses and is currently accepting applications. On October 15, 2015, OLCC published draft recreational marijuana rules, which were finalized and took effect on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules ("**OAR Division 25**"). Licensed cannabis companies in the State of Oregon are not subject to Residency Requirements. OAR Division 25 rules may change at any time there is no certainty that changes will not adversely affect the Company's operations, as the changes are subject to OLCCs review and approval.

In most US states that legalized cannabis for medical and/or adult-use, the state regulations require that in addition to state regulations, the licensed operators must also comply with the regulations and ordinances set out by municipal and county governments.

The county government of Pueblo County, Colorado, has implemented a business licensing process for Licensed Operators which is outlined in Chapter 5.12 of the Pueblo County Code, and the Licensed Operators located in Pueblo County must obtain a business license from the licensing department of the county.

The Company's The Clinic Effingham dispensary is located in Effingham, IL, which is a part of Effingham County. At this time, neither The City of Effingham, nor the Effingham County have any ordinances relating to medical marijuana.

On July 1, 2014, the City Council of The City of Henderson has passed an ordinance No. 3186 to amend Title 19 of the Henderson Municipal Code to allow and regulate medical marijuana establishments ("**MME**") in the City of Henderson, and Ordinance No. 3188 to establish a business licensing process. Subsequently there were additional ordinances Nos. 3313, 3189, 3227, 3342, implementing additional changes to the local regulations. On February 7, 2017, the City Council of The City of Henderson passed an Ordinance No. 3386 which enacts a moratorium on the Application, Licensing, and Operation of Recreational Marijuana Establishments and the Cultivation, Manufacturing, Production, Testing, Transportation, and the Sale of Recreational Marijuana, for a period of six months. As the Company's current project is focused on establishing an MME, the Company is not affected by the Ordinance No. 3386. There is no certainty that MMEs will continue to be permitted or that the City of Henderson will permit or establishments for cultivation or manufacturing adult use marijuana, which may adversely affect the Company's business in the State of Nevada.

On December 21, 2015, Deschutes County Board of County Commissioners voted unanimously to temporarily ban recreational marijuana businesses in unincorporated Deschutes County. The ban does not apply to the Company's project, as the City of La Pine is an incorporated municipality. The temporary ban on marijuana business will not impact existing, legal, medical marijuana production or marijuana businesses within city limits. The matters relating to construction and building code are governed by the DCCDD. On October 12, 2016, the La Pine City Council has approved ordinance 2016-10 which has establishing time, place, and manner regulations concerning recreational marijuana producers, processors, wholesalers, laboratories and retailers. The ordinance and amendments provide that the Licensed Operators must also obtain a business license form the City of La Pine and be subject to a 3% tax. Licensed Operators need to obtain a compatibility approval from the City prior to being able to commence operations.

The Company operates in a highly regulated industry, which to date remains illegal under US federal law and is new in most US states. There is no certainty that any of the local, state or federal governments of jurisdictions where the company operates will continue to maintain current regulatory regimes, changes to regulatory regimes could adversely affect the Company’s operations. Please see the "Risk Factors" section.

Products and Services – Brand Lines and Intellectual Property

The products and services offered by the Company will differ significantly depending on state and local regulations. The products and services are not bundled, and are custom designed to fit the needs of Licensed Operators to be in compliance with applicable regulations.

The Company has developed and launched its flagship line of products under the brand name "FLÏ" internally using its own resources, with the use of third party consultants. The product lines include liquid concentrate for bulk sales, vape pen cartridges, and consumer focused concentrate products (shatter, gelatin capsules and vape pen cartridges). Marijuana extracts are manufactured using Nutritional High’s process that employs a mix of mechanical separation, cold ethanol extraction and short path distillation. The versatility of the process allows to vary final product characteristics to fit the requirements of the manufacturer in terms of terpene and cannabinoid profiles.

The Company entered into a license agreement ("**License Agreement**") with Purple Haze Properties LLC ("**PHP**"). granting the Company exclusive right to manufacture and distribute marijuana and hemp oil-infused products under "Jimi Hendrix" brand including gummy bears, hard candies and health and energy drinkable products, and non-exclusive rights to manufacture and distribute certain apparel and accessories, in the United States and Canada.

The Company was informed by PHP that Experience Hendrix LLC and Authentic Hendrix LLC have filed a complaint with the United States District Court, Southern District of New York ("**Action**") alleging that PHP and parties related to PHP attempted to improperly exploit the intellectual property rights of Jimi Hendrix, seeking equitable relief and damages. At this time, no actions have been brought against the Company in relation to the License Agreement with PHP. At this time, the Company is evaluating potential options relating to the Licencing Agreement and full-fledged roll-out of Jimi-branded, in the light of the Action against PHP and parties related to PHP. Please see "*Risk Factors*"

The Company has entered into agreement to acquire the technology and intellectual property rights of an innovative dispenser for viscous liquid substances referred to as the "**Dab Stick**" ("**Dab Stick Acquisition**"). As a part of the Dab Stick Acquisition, the Dab Stick vendors have agreed to assign to Nutritional High the Dab Stick technology and the intellectual property and all rights thereto, and the Dab Stick Vendors will assist with developing improvements. At this time the Company, together with Vendors are in the process of identifying and securing a contract manufacturer with capacity to manufacture empty units, which can then be sold by Nutritional High to Licensed Operators or be used at the Company’s facilities.

Strategic Investments and Joint Ventures

The Company acquired an equity interest in Aura Health Corp. ("**AHC**"), a private company based in Ontario, which owns and operates Green Global Properties Inc., a private company incorporated in Delaware. The Company also advanced to AHC a promissory note in the principal amount of US$120,000 (the "**AHC Loan**"), bearing 12% interest per annum. The AHC Loan and all accrued interest are due and payable in two years. The Company also announced that AHC has closed a unit private placement, consisting of 6,550,000 units at a price of $0.10 per unit for aggregate gross proceeds of $655,000, reducing the Company’s ownership to approximately 24% (See Subsequent Events).

On April 20, 2017 AHC has closed a financing of unsecured subordinated convertible debentures for gross proceeds of $300,000 ("**Principal Amount**"). The conversion price is the lower of: (i) $0.60 per Unit, or (ii) the price equal to 75% of the financing price for a transaction where AHC securities list on a stock exchange.

The Company has entered into a letter of intent with Lakeside Minerals Inc. ("**Lakeside**") contemplating a "**Colorado Joint-Venture**" and a "**Nevada Joint-Venture**". As a part of the Colorado Joint-Venture, the Company will lease to Lakeside certain land and buildings of the Pueblo Property which qualify for marijuana cultivation ("**Pueblo Cultivation Buildings**"). Lakeside will sublease the Pueblo Facility to Palo Verde, a party which has applied to renew a Cultivation License in Colorado respecting the Pueblo Facility.

As a part of the Nevada Joint-Venture, Lakeside Minerals will acquire NV Marijuana Cultivation License from Nutritional High for approximately USD $500,000. Lakeside will form a joint-venture company with Nutritional High for the purposes of acquiring and holding the New NV Property on 50-50 basis. Lakeside will issue to Nutritional High between 1,000,000 and 3,000,000 common shares in the capital of Lakeside ("**Lakeside Shares**"). As of the date hereof, Lakeside and the Company are still in the process of finalizing the definitive agreements in regards to Colorado Joint-Venture and Nevada Joint-Venture.

Key Business Developments

During the nine months ended April 30, 2017, the Company has announced the following key business developments, that are not otherwise described in the section titled "*Business Overview*".

On August 31, 2016, the Company and PHP announced the launch of Jimi Hendrix related cannabis-infused products, and the entry into an addendum to their license agreement to provide for sub-licensing to third parties in Oregon and California.

On September 17, 2016, the Illinois investor group funded USD $300,000 of the expenses and working capital required to complete and launch the Dispensary under joint-venture agreement. Accordingly, as of September 2016, the investor group and NHII each has a 50% equitable interest in NHMD, and 50% equitable interest in SMHI. The NHMD clinic has been operating as The Clinic Effingham ("TCE") since September 17, 2016.

On September 20, 2016, the Company began operating its medical cannabis dispensary in Effingham, IL, through NHMD, which has received a medical cannabis dispensary license under CUMCPPA.

On January 24, 2017, the Company entered into definitive agreement to acquire provisional cultivation and production licenses in Henderson, Nevada. As consideration for the acquisition of the licenses, the Company shall pay US$1,000,000. As at April 30, 2017, the Company has advanced $1,365,000 (US$1,000,000) as a deposit in escrow.

On February 17, 2017, the Company advanced $218,400 (US$160,000) as a deposit in escrow to acquire a real estate property associated to Henderson licenses.

On April 5, 2017 the Company announced that has sold the Lawrenceville property back to its original vendors by paying a consideration of $80,000 in lieu of forgiving the outstanding seller take-back mortgage (please see press release dated June 17, 2016) in the amount of approximately USD $237,000.

Key Board and Management Changes

During the nine months ended April 30, 2017, the Company has made the following management changes:

On April 17, 2017, the Company appointed Andres Tinajero to the Company’s board of directors and as Chair of the Audit Committee. Mr. Tinajero has over 20 years of business experience, having supported a board range of industries, including mining, manufacturing and technology. During this same period, he has served as CFO and Vice President of Finance of several medium sized public companies across Canada.

Key Financing Developments

On August 26, 2016, the Company closed the first tranche of non-brokered private placement, consisting of 11,432,580 Units for aggregate gross proceeds of $400,140. The proceeds from the offering were to be used by the Company to fund the Company's Pueblo project, service debt and for general working capital purposes. In connection with the first tranche of this private placement, the Company paid transaction cost of $5,460 and issued 22,857 finder’s units. Each finder’s unit is exercisable at $0.035 for 18 months from closing and each finder’s unit comprised of one common share and one half of a warrant with an exercise price of $0.05 expiring 18 months from closing.

On September 9, 2016, the Company closed the second tranche of non-brokered private placement, consisting of 11,445,960 Units at a price of $0.035 per Unit for aggregate gross proceeds of $400,609. The total number of Units issued pursuant to this Offering, together with the first tranche as announced on August 31, 2016, is 22,878,540 for aggregate gross proceeds of $800,749. In connection with the second tranche of this private placement, the Company incurred $12,591 of transaction and commission costs and issued 133,143 finder’s warrants. Each warrant is exercisable at $0.035 for 18 months after closing.

On October 6, 2016, subordinate convertible debenture of $150,000 together with interest owing of $26,090 were converted to 2,934,830 common shares at the price of $0.06 per share.

On November 8, 2016, the Company completed the first tranche of the non-brokered private placement, consisting of 7,658,710 units at a price of $0.15 per unit for an aggregate gross proceeds of $1,148,807. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at $0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred $113,996 of transaction and commission costs and issued 552,884 finder’s units valued at $197,000. Each finder’s unit is exercisable at $0.15 for 24 months and each finder’s unit comprised of one common share and one half of a warrant with an exercise price of $0.22 expiring 24 months from closing.

On November 18, 2016, the Company completed the second tranche of the non-brokered private placement, consisting of 25,615,880 units at a price of $0.15 per unit for an aggregate gross proceeds of $3,842,382. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at $0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred $379,277 of transaction and commission costs and issued 1,933,462 finder’s units valued at $690,000. Each finder’s unit is exercisable at $0.15 for 24 months and each finder’s unit comprised of one common share and one half of a warrant with an exercise price of $0.22 expiring 24 months from closing.

On November 24, 2016, the Company completed the final tranche of the non-brokered private placement, consisting of 3,194,965 units at a price of $0.15 per unit for an aggregate gross proceeds of $479,245. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at $0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred $51,555 of transaction and commission costs and issued 285,270 finder’s units valued at $88,000. Each finder’s unit is exercisable at $0.15 for 24 months and each finder’s unit comprised of one common share and one half of a warrant with an exercise price of $0.22 expiring 24 months from closing.

On April 18, 2017, the Company amended and restated the loan note for an additional twelve months maturing April 18, 2018 in consideration of: (i) a renewal fee of 1% in addition to a 1% extension fee; (ii) an extension of the original 3,333,334 warrants’ expiry date to October 18, 2018; and (iii) an additional 1,000,000 warrants exercisable at $0.15 per share to expire on October 18, 2018.

On June 5, 2017, the Company closed a financing arrangement secured against its real estate property in La Pine, Oregon in the amount of US$400,000 in the form of a promissory note which has a eighteen-month term bearing interest at 13% per annum payable monthly (See Subsequent Events).

Overall Performance

As at April 30, 2017, the Company had assets of $9,892,816 (2016 – $2,686,449), liabilities of $1,497,176 (2016 - $2,310,944) and shareholders' equity of $8,395,640 (2016 – $375,505). During the nine months ended April 30, 2017, the Company incurred a net loss and comprehensive loss of $2,216,413 (2016 – loss of $1,246,517).

As at April 30, 2017, the Company had working capital of $4,504,686 (2016 – working capital deficiency of $1,432,542) and cash of $1,605,486 (2016 – $111,786).

Selected Annual Information

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

		Year ended July 31, 2016	Year ended July 31, 2015	Year ended July 31, 2014
		$	$	$
Other Income		608,277	210,762	-
Total expenses		(2,917,574)	(2,279,122)	(681,155)
Net income		(2,309,297)	(2,068,360)	(681,155)
Foreign exchange translation		(5,613)	(15,285)	-
Net loss and comprehensive loss		(2,303,684)	(2,083,645)	(681,155)
Loss per share		(0.02)	(0.02)	(0.01)
Total assets		2,686,449	1,972,588	695,477
Total liabilities		2,310,944	1,142,249	220,150
Shareholders' Equity		375,505	830,339	475,327

Operating results for three months ended April 30, 2017

The Company generated $146,740 in rental income on the Pueblo location for the three months ended April 30, 2017, and $129,415 for the comparable period in the prior year.

For the three months ended April 30, 2017, the total operating expenses was $1,531,654, an increase of $728,249, compared to the comparative prior period of $803,405. The total of management and consulting fees and professional fees was increased by $187,585 to $568,028 (2016 - $380,443). The increase is due to consulting and professional fees surrounding the application of cultivation and processing licenses, a transfer application for the provisional cultivation and production licenses in Henderson, and the acquisition of a real estate property in Oregon. In addition, the Board of directors approved and granted a total of 6,650,000 options to consultants and directors of the Company for the three months ended April 30, 2017, resulting in an increase of share-based payments of $366,350 to $461,547 (2016 - $95,197).

For the three months ended April 30, 2017, the Company incurred a net loss of $1,557,995 or $0.006 per Common Share compared with a net loss of $601,211 or $0.004 per Common Share for the same period ended April 30, 2016. This is primarily due to:

- An increase of $366,350 in share based payment to $461,547 (2016 - $95,197). The Board of directors approved and granted a total 6,550,000 options to consultants and directors for the three months ended April 30, 2017.
- An increase in allowance for amounts receivable from Palo Verde of $100,739 to $145,739 (2016 - $45,000) as the Amounts due to Palo Verde LLC increased to $1,953,228 from $892,998 (July 31, 2016). An allowance was recorded on account of the uncertainties surrounding recoverability of the loan and rental income receivable in respect to the timing and unexpected financing delays.

- Promissory note extension costs of $123,243. On April 18, 2017, the lender of the promissory note amended and restated the loan note to extend the US$800,000 to April 18, 2018. The Company paid 1% renewal fee plus 1% extension fee of the principle amount, from $ 1,000,000 warrants with exercise price of $0.15 and expiry date of October 18, 2018 valued at $62,000 and extended the expiry date of 3,333,334 warrants issued on April 19, 2015 from April 26, 2017 to October 18, 2018, which resulted in an increased value from $29,000 to $69,000.

Operating results for nine months ended April 30, 2017

The Company generated $404,530 in rental income on the Pueblo location for the nine months ended April 30, 2017, and $388,958 for the comparable period in the prior year.

For the nine months ended April 30, 2017, the total operating expenses was $3,084,158 (2016 - $1,682,100), an increase of $1,402,058 reflecting increased activities of the Company. An increase of $122,339 to $295,537 (2016 - $173,198) in professional fees is mainly related to acquisition of real estate properties and licenses in Nevada, Pennsylvania and Oregon. Share based payments was $1,015,752 (2016 - $129,197) reflecting an increase of $886,555. The Company granted a total of 10,085,000 (2016 – 4,100,000) options to various consultants and directors of the Company.

For the nine months ended April 30, 2017, the Company incurred a net loss of $2,186,588 or $0.01 per Common Share compared with a net loss of $1,253,840 or $0.01 per Common Share for the same period ended April 30, 2016. This is primarily due to the increased operating expenses, loss of debt settlements of $264,063 (2016 - $Nil) and extension cost of the promissory note of $123,243. The increase was offset by a one-time gain of $1,066,901 on the deconsolidation of NHMD and SMHI (Notes 11 and 20 of the condensed consolidated interim financial statement for the nine months ended April 30, 2017) .

Selected financial information for the previous quarters as follows:

Quarter ended	**Revenues**	**Net loss and comprehensive loss**	**Net loss per share**
April 30, 2017	$nil	$(1,574,263)	$(0.006)
January 31, 2017	$nil	$(716,224)	$(0.003)
October 31, 2016	$nil	$74,074	$0.0005
July 31, 2016	$nil	$(1,057,167)	$(0.008)
April 30, 2016	$nil	$(584,995)	$(0.004)
January 31, 2016	$nil	$(300,174)	$(0.002)
October 31, 2015	$nil	$(361,348)	$(0.003)
July 31, 2015	$nil	$(699,055)	$(0.006)

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 April 30, 2017, the Company had working capital of $4,504,686 (2016 – deficiency of $1,432,542), current assets of $4,796,999 (2016 - $299,115) and current liabilities of $292,313 (2016 - $1,731,657). All the Company's financial liabilities and receivables, excluding Amounts due from Palo Verde LLC (Note 8), lease obligation (Note 21) and promissory note payable (Note 10), have contractual maturities of less than 90 days and are subject to normal trade terms.

A maturity analysis of the Company's financial liabilities is set out below:

	2018	2019
	$	$
As at April 30, 2017		
Accounts payable and accrued liabilities	216,392	-
Promissory note payable	1,226,862	-
Lease obligation	75,921	121,634
	1,519,175	121,634

Foreign currency exchange risk

The Company conducts a portion of its purchases in US dollars which results in the foreign currency exchange risk. The Company does not consider its exposure to foreign currency exchange risk to be material.

An increase (decrease) of 10% in the currency exchange rate of the Canadian dollar versus US dollar would have impacted net loss by $137,073 (2016 - $26,958) as a result of the Company's exposure to currency exchange rate fluctuations.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with fixed interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt.

Net earnings are sensitive to the impact of a change in interest rates on the average balance of interest bearing financial liabilities during the year.

An increase (decrease) of 25 basis points would have impacted net loss by $2,065 (2016 - $170) because of the Company's exposure to interest rate fluctuations.

Related Party Transactions and Key Management Compensation

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 nine months ended April 30, 2017, the Company:

a. Incurred professional fees of $90,300 (2016 - $54,000) from Branson Corporate Services, a company in which a company with a related director has a 49% interest.

b. Incurred consulting fees of $144,000 (2016 - $144,000) from FMI Capital Advisory Inc., a company which a director of the Company, Adam Szweras, is also a director.

c. Incurred professional fees of $165,240 (2016 - $27,500) from Fogler Rubinoff, LLP, a law firm in which a director of the Company, Adam Szweras is a partner.

d. Incurred interest of $3,228 (2016 - $13,512) under the subordinate convertible debentures due to Adam Szweras and David Posner, both directors of the Company. (Note 11).

e. Incurred management compensation to key management and directors including $63,317 to Jim Frazier, $100,177 to Billy Morrison and $72,000 to David Posner totalling $235,494 (2016 - $156,504) in cash and $371,906 (2016 - $129,197) in stock based payments.

As at April 30, 2017, $52,500 (2016 - $Nil) is included in shares to be issued to Billy Morrison, an officer of the Company and $Nil (2016 - $368,632) is included in accounts payable and accrued liabilities.

On January 30, 2017, the Company entered into an IP assignment and option agreement with a director to acquire a dispenser for viscous liquid substance (the "Dab Stick").

The Company has one common director and two common officers with Lakeside Minerals Inc (Note 22).

Disclosure of outstanding share data

As at April 30, 2017, the Company had 248,980,735 Common Shares outstanding, 16,742,500 options of which 12,463,333 are vested and eligible to be exercised, and warrants outstanding of 38,191,206.

As at June 21, 2017, the Company had 250,383,732 Common Shares outstanding, 16,742,500 options exercisable at a weighted average price of $0.123 per share expiring between October 14, 2018 and April 17, 2022, and 38,005,599 warrants outstanding exercisable at a weighted average price of $0.147 between August 31, 2017 and May 31, 2019.

Subsequent events

(i) On May 1, 2017, the Company paid a bonus in the form of 1,000,000 shares of Aura to David Posner, a director and Chairman of the Company, reducing the Company's ownership in Aura to 18% (not accounting for the potential share issuance on the conversion of the note).

(ii) On June 5, 2017, the Company closed a financing arrangement secured against its real estate property in La Pine, Oregon in the amount of US$400,000 in the form of a promissory note ("the Note") which has an eighteen-month term bearing interest at 13% per annum payable monthly. As part of the agreement, the Company issued 1,217,391 warrants with exercise price of $0.165 and expiry date of June 6, 2019 to Veteran Capital Fund II, LP ("the Lender"). The loan is due in full on December 31, 2018 with option to extend for six months provided that:
- The Company completed the build out and initial commencement of marijuana revenue from La Pine;
- The Company is in compliance with the Note;
- The Company has provided a written notice expressing a desire to initiate their 6 month extension option and have provided an internal financial statement showing the revenue from La Pine's facility ("La Pine's financials"); and
- The Lender raises no objection within five business days after La Pine's financials have been submitted.

Off-Balance Sheet Arrangements

As of April 30, 2017, the Company has no off-balance sheet arrangements.

Critical Accounting Estimates and judgments

The preparation of the condensed consolidated interim financial statements for the nine months ended April 30, 2017 requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim 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 amount due from Palo Verde LLC, valuation of deferred income tax amounts, gain on de-consolidation of NHMD and SMHI and valuation of warrants and options issued.

The most significant judgments relate to recognition of deferred tax assets and liabilities, assessment of functional currency, determination of operating or finance lease, determination of extinguishment or modification of debt and determination of the joint arrangement as a joint operation or joint venture.

Risk Factors

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

Limited operating history

The Company has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings. Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

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

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

Reliance on securing agreements with Licenses Producers

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

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

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

Regulation

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

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company is, to its knowledge and belief, currently in compliance with all such laws. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

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

U.S. Federal Laws

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

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

As of December 29, 2016, twenty-eight states, the District of Columbia and Guam allow their residents to use medical marijuana. Voters in the states of Colorado, Washington, Oregon, Alaska, California, Nevada, Massachusetts, and Maine have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The state laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the Trump administration will not change the government's stated policy regarding the low-priority enforcement of federal laws. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

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

Local regulation could change and negatively impact on the Company's operations

Most US states that permit marijuana for adult use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where the Company or its Licensed Operators have established facilities decides to prohibit marijuana businesses from operating, the Company or its Licensed Operators could be forced to relocate operations at great cost to the Company, and the Company or its Licensed Operators may have to cease operations in such state entirely if alternative facilities cannot be secured.

The Company is dependent on intellectual property, and failure to protect the rights to use that intellectual property could adversely the Company's future growth and success.

The Company's failure to protect its existing intellectual property rights may result in the loss of exclusivity or the right to use the brands and technologies to which the Company has acquired or internally developed. If The Company does not do not adequately ensure the freedom to use this intellectual property the Company may be subject to damages for infringement or misappropriation, and/or be enjoined from using such intellectual property. In addition, it may be difficult for the Company to enforce certain of its intellectual property rights against third parties who may have inappropriately acquired interests in the Company's intellectual property rights by filing unauthorized trademark applications in foreign countries to register the Company's marks because of their familiarity with our business in the United States. See "Business Overview – Products and Services – Brands and Intellectual Property". Any potential intellectual property litigation could result in significant expense to the Company, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of the Company's technical and management personnel, whether or not such litigation is resolved in the favor of the Company. In the event of an adverse outcome in any such litigation, the Company may, among other things, be required to: pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue processes incorporating infringing technology; or obtain licenses to the infringing intellectual property.

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 Licensed Operators 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 Licensed Operators. Licensed Operators 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 Licensed Operators. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

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

Product liability, operational risk

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

Product recalls

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

Uninsurable risks

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

Additional financing

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

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

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

Risks Affecting the real estate industry

The Company is subject to risks generally associated with ownership of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of, or demand for, similar or competing properties in the area; (c) bankruptcies, financial difficulties or defaults by tenants or other parties (including Licensed Operators and Licensed Operators); (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 Licensed Operators leasing the real estate properties that the Company's may acquire in the future. If the Licensed Operators or Licensed Operators suffer a business disruption or the Company's ability to collect the rents from those parties may be limited, and the recourse available to the Company can be limited. As such, this may hinder the Company's ability to service its financial obligations, and in some cases, may lead to complete loss of the Company's assets if its lenders were to foreclose.

Taxes

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

Illegal drug dealer could pose threats

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

Reliance on management

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

Factors which may prevent realization of growth targets

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

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;

- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Risks associated with increasing competition

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

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

The products provided by the Company to Licensed Operators may become subject to regulation governing food and related products

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

Environmental and employee health and safety regulations

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

Difficult to forecast

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

Holding company

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

Management of growth

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

Dividends

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

Currency exchange rates

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

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

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

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

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

The joint venture might require a need for additional capital infusions which might create an obligation on the Company to make additional contributions, failing to do which may result in reduction of the Company's interest in NHMD and SMHI. In addition, Illinois investor group's failure to contribute may create an greater need for the Company to contribute additional capital, which may not be available to the Company on favorable terms or at all.

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

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's Business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Business, results of operations and financial condition of the Company.
While oil derived from industrial hemp stalk that has naturally occurring THC content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("**FDA**") will not regulate the use of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of 1994 ("**DSHEA**"), or would otherwise be permitted for use under the DSHEA. The FDA has taken steps to pursue companies that manufacture hemp-infused products that make health and medical claims about their products, and may take steps to pursue companies that manufacture marijuana products. This may include Licensed Operators, which would adversely effect the Company's financial performance.

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 nine months ended April 30, 2017, 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 April 30, 2017 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 Licensed Operators; 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 consolidated interim 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 consolidated interim financial statements for the nine months ended April 30, 2017 and the audited consolidated financial statements for the year ended July 31, 2016 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 consolidated interim financial statements with management. The Board of Directors has approved the condensed consolidated interim financial statements on the recommendation of the Audit Committee.

June 29, 2017

Jim Frazier
Chief Executive Officer