Nutritional High International Inc.

Consolidated Financial Statements

For the period from incorporation to July 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Nutritional High International Inc., are the responsibility of the management and Board of Directors of the Company.

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

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

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

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

"David Posner", Director and CEO
David Posner

"Al Quong", CFO
Al Quong

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nutritional High International Inc.

We have audited the accompanying consolidated financial statements of Nutritional High International Inc., and its subsidiaries which comprise the consolidated statement of financial position as at July 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation to July 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nutritional High International Inc., and its subsidiaries as at July 31, 2014, and its financial performance and its cash flows for the period ended July 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
November 26, 2014

Nutritional High International Inc.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at July 31,		**2014**
Assets		
Current		
Cash *(Note 14)*	**$**	**617,066**
HST receivable *(Note 4)*		**23,747**
Loan receivable *(Note 5)*		**32,712**
		673,525
Non-current assets		
Property deposit *(Note 6)*		**21,952**
	$	**695,477**
Liabilities		
Current		
Accounts payable and accrued liabilities *(Notes 7 & 8)*	**$**	**120,150**
Unissued share capital (*Note 9)*		**100,000**
		220,150
Shareholders' Equity		
Share Capital *(Note 9)*		**1,063,482**
Reserve for share based payments *(Note 10)*		**28,000**
Reserve for warrants *(Note 9, 11)*		**65,000**
Accumulated deficit		**(681,155)**
		475,327
	$	**695,477**

Nature of Operations and Going concern (Note 1)
Subsequent Events (Note 16)
Reverse Takeover Transaction (Note 12)

Approved on behalf of the Board:

"Adam Szweras" Director

"Statis Rizas" Director

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

Nutritional High International Inc.

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the period ended July 31, 2014
Administrative expenses		
Management and consulting fees *(Note 8)*	$	176,244
Professional fees *(Note 8)*		88,231
Office and general		32,857
Share based payments *(Note 10)*		28,000
Listing expense *(Note 12)*		355,823
Net loss and comprehensive loss	**$**	**681,155**
Loss per share - basic and diluted		0.12¢
Weighted average number of shares outstanding		55,591,495

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

Nutritional High International Inc.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		Share Capital					
	Note	Number of Shares	Amount	Reserve for Share based payments	Reserve for warrants	Accumulated Deficit	Total
Founders shares issued	9	33,400,000	167,000	-	-	-	167,000
Private placements	9	27,000,011	675,000	-	-	-	675,000
Warrants issued	11	-	(65,000)	-	65,000	-	-
Issuance of shares to former Sonoma Capital Inc.							
Shareholders	12	11,513,620	287,840				287,840
Share based payments	10			28,000			28,000
Share issue costs	9	-	(1,358)		-	-	(1,358)
Total loss and comprehensive loss for the period		-	-		-	(681,155)	(681,155)
Balance at July 31, 2014		71,913,631	$ 1,063,482	$ 28,000	$ 65,000	$ (681,155)	$ 475,327

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

Nutritional High International Inc.

Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Note		For the period ended July 31, 2014
OPERATING ACTIVITIES			
Net Loss		$	(681,155)
Item not affecting cash:			
Listing expense	**12**		355,823
Share based payments	**10**		28,000
Net change in non-cash working capital :			
HST receivable			(23,747)
Accounts payable and accrued liabilities, net	**12**		(69,112)
Cash Flow Used in Operating Activities			(390,191)
INVESTING ACTIVITIES			
Loan advance	**5**		(32,712)
Property deposit			(21,952)
Cash acquired in reverse takeover transaction	**12**		121,279
Cash Flow From Investing Activities			66,615
FINANCING ACTIVITIES			
Issuance of share capital, net of share issue costs	**9**		940,642
Cash Flow From Financing Activities			940,642
Net increase in cash		$	617,066
Cash at beginning of period			-
Cash at end of period		$	617,066

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

1. Nature of Operations and Going Concern

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

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

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

The consolidated financial statements were approved the Board of Directors on October 28, 2014.

On April 24, 2014, Nutritional signed an Option agreement to acquire a 50% interest in a company that is applying for Marijuana for Medical Purposes Regulations ("MMPR") license for facility located in Haldimand County, Ontario.

On June 26, 2014, Nutritional issued 150,000 warrants pursuant to an option agreement, and may exercise the option at its sole discretion, to acquire a 100% interest in a company that is applying for Marijuana for Medical Purposes Regulations ("MMPR") license for facility located in Northumberland County, Ontario.

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

At July 31, 2014 the Company had a working capital of $453,375, had not yet achieved profitable operations, has accumulated losses of $681,155 and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments (Note 16) as they come due.

2. Basis of Presentation

2.1 Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended July 31, 2014.

2. Basis of Presentation (continued)

2.2 Basis of presentation

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

2.3 Basis of consolidation

The consolidated financial statements include the accounts of Nutritional High International Inc., and its wholly –owned subsidiaries Nutritional High Ltd., Nutritional High (Colorado), Inc. and NHC Edibles, LLC with jurisdiction in Colorado, US.

The subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

The functional currency of the parent and Nutritional High Ltd. is the Canadian dollar, which is the presentation currency of the consolidated financial statements. The function currency of US subsidiaries is the US dollar.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

2.4 New and revised standards and interpretations to be adopted in the future

New standards and interpretations to be adopted in future

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

3. Summary of Significant Accounting Policies

3.1 Share based payments

Share based payment transactions

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

3. Summary of Significant Accounting Policies (continued)

3.1 Share based payments (continued)

***Share based payment transactions* (continued)**
In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share‐based payment. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

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

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

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

Where the terms of an equity‐settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share‐based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.2 Loss per share

Basic loss per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the weighted average number of common and potential common shares outstanding during the period. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from warrants were excluded from the computation of diluted loss per share because they were anti-dilutive for the year ended July 31, 2014.

3.3 Taxation

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

3. Summary of Significant Accounting Policies (continued)

3.3 Taxation (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. Summary of Significant Accounting Policies (continued)

3.4 Financial assets

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

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

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest rate method. The Company's loan receivable is classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At July 31, 2014 the Company has not classified any financial assets as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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

3.5 Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. At July 31, 2014 the Company has not classified any financial liabilities as FVTPL.

3.6 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

3. Summary of Significant Accounting Policies (continued)

3.6 Impairment of financial assets (continued)

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3.7 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount.

3. Summary of Significant Accounting Policies (continued)

3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.9 Related party transactions

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

3.10 Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

3.11 Share capital

In situations where the Company issues units, the value of warrants is bifurcated and is included as the separate reserve of the Company’s equity.

3.12 Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of HST, loan receivable, valuation of deferred income tax amounts, and valuation of warrants and shares issued during private placements and measurement of listing expense.

The most significant judgments relate to recognition of deferred tax assets and liabilities.

3. Summary of Significant Accounting Policies (continued)

3.13 Foreign currency translation

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period end;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as cumulative translation adjustments.

When a foreign operation is disposed of, the relevant amount in the accumulated translation account in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income.

4. HST Receivable

The Company's HST receivable arose from harmonized sales tax ("HST") due from the Canadian government.

At July 31, 2014, the Company anticipates full recovery of the amount and therefore no impairment has been recorded against this receivable.

5. Loan Receivable

Revolving line of credit of USD $150,000 to Palo Verde LLC (Note 16), of which $32,712 (USD $30,000) was receivable as at July 31, 2014. Advances are unsecured, bear interest at 12% per annum and matures on July 22, 2015.

6. Property Deposit

The Company through its wholly owned subsidiary NHC Edibles, LLC made a refundable deposit on the purchase of the commercial property located in Colorado, USA with remaining commitment of USD $865,000 upon closing.

(expressed in Canadian Dollars)

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to regular business activities and amounts payable for financing activities. The usual credit period taken for purchases is between 30 to 90 days.

The following is an aged analysis of accounts payable and accrued liabilities:

	As at, July 31, 2014
	$
Less than 1 month	**62,321**
Over 1 month	**57,829**
Total accounts payable and accrued liabilities	**120,150**

8. Related Parties and Key Management

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

For the period ended July 31, 2014 the Company incurred fees of $9,000 from Branson Corporate Services, a Company with a related director.

For the period ended July 31, 2014 the Company incurred fees of $59,000 from Foundation Opportunities Inc., a Company with a related director.

For the period ended July 31, 2014 the Company incurred fees of $59,781 from Fogler Rubinoff, a law firm in which a director of the Company is a partner.

For the period ended July 31, 2014 the Company issued 13,500,000 shares and 1,750,000 warrants to directors of the Company valued at $137,500 and $8,750 respectively.

Total key management compensation amounted to $80,491 for the period ended July 31, 2014 of which $30,000 represented value of shares where fair value was determined based on the value of services provided.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at July 31, 2014, $106,003 is included in accounts payable and accrued liabilities.

9. Share Capital

Nutritional High is authorized to issue an unlimited number of common shares without par value.

On April 17, 2014, the Company issued 33,000,000 shares, valued at $0.005 per share for gross proceeds of $165,000. On May 12, 2014, the Company issued 400,000 shares, valued at $0.005 per share for gross proceeds of $2,000.

9. Share Capital (continued)

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

On May 30, 2014, the Company completed the second tranche of its non-brokered private placement of 2,180,798 units at $0.025 per unit for gross proceeds of $54,520. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

On June 20, 2014, the Company completed the third tranche of its non-brokered private placement of 2,712,360 units at $0.025 per unit for gross proceeds of $67,809. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a qualifying transaction between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO.

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

Cash costs in connection with the transactions amounted to $1,358.

On May 28, 2014, there was an additional subscription for 4,000,000 units at $0.025 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a business combination between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO. This subscription is conditional on the Company being listed on a recognized Canadian stock exchange before July 31, 2014. This condition subscription had been extended, and the public listing condition subsequently waived, as described in Note 16.

(expressed in Canadian Dollars)

10. Reserve for Share Based Payments

The Company established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately, unless otherwise stated, and expire on the fifth anniversary from the date of issue unless otherwise specified. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the total issued and outstanding Common shares, which was 7,191,363 at July 31, 2014.

The following table reflects the continuity of options for the year ended July 31, 2014:

	Number of Options	Amount $
Balance – July 31, 2013	-	-
Granted	2,800,000	28,000
Balance – July 31, 2014	**2,800,000**	**28,000**

(i) The options granted pursuant on July 7, 2014 and have a fair value of $28,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.14%	Expected volatility (Based upon comparable public companies)	100%
Dividend yield	nil	Expected life-options	60 months

Options exercise prices and terms to maturity as follows:

Exercise price	Number of outstanding exercisable options	Expiry date	Remaining contractual life (years)
$			
0.10	2,800,000	60 months	4.9

11. Reserve for Warrants

The following table reflects the continuity of warrants for the year ended July 31, 2014:

	Number of Warrants	Amount $
Balance - from incorporation	-	-
Warrants pursuant to private placement (ii) and option agreement	13,650,006	65,000
Balance – July 31, 2014	**13,650,006**	**65,000**

(expressed in Canadian Dollars)

11. Reserve for Warrants (continued)

(ii) The warrants issued pursuant to the private placement on May 16, 2014, May 30, 2014 and June 20, 2014 are described in note 9 above and have a fair value of $65,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.04 – 1.12%	Expected volatility (Based upon comparable public companies)	100%
Dividend yield	nil	Expected life-warrants	18 months

Warrants to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price	Number of outstanding exercisable warrants	Expiry date	Remaining contractual life (years)
$			
0.05	13,650,006	December 27, 2015	1.5

12. Reverse Takeover Transaction

On June 27, 2014, Sonoma Capital Inc. (“Sonoma”) closed its reverse takeover transaction (“the Transaction”) with Nutritional, whereby it acquired all of the issued and outstanding securities of Nutritional from the Vendors and changed its name to Nutritional High International Inc. Pursuant to the transaction, the Vendors exchanged an aggregate of 60,400,011 Nutritional shares and 13,650,006 warrants, being all of the issued and outstanding Nutritional shares and warrants held by the Vendors, for the same number of shares and warrants of Sonoma.

Although the Amalgamation will result in a legal combination of Nutritional and Sonoma to form the Resulting Issuer, because Sonoma does not meet the criteria for a business per IFRS 3, from an accounting perspective, the Amalgamation is considered to be a takeover transaction. The Amalgamation is not considered to be a business combination but a capital transaction whereby Nutritional was considered to issue additional shares in return for the net liabilities of Sonoma.

For financial reporting purposes, this is considered a continuation of Nutritional, the legal subsidiary, which was incorporated on April 17, 2014. These consolidated financial statements include the activities of Nutritional for the period from incorporation, April 17, 2014 to July 31, 2014.

The transaction is a reverse acquisition of Sonoma and has been accounted for under IFRS 2, Share-based Payments. Accordingly, the transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of Nutritional to the shareholders of Sonoma. The difference between the fair value of the consideration paid of $287,840 (based upon the fair value of Nutritional shares just prior to the reverse acquisition) and the Sonoma net liabilities acquired of $67,983, in the amount of $355,823, has been recognized as a listing expense in the statement of comprehensive loss for the period ended July 31, 2014.

The results of operations of Sonoma are included in the consolidated financial statements of Nutritional High from the date of the reverse acquisition, June 27, 2014.

(expressed in Canadian Dollars)

12. Reverse Takeover Transaction (continued)

The following represents management's estimate of the fair value of the net liabilities acquired at June 27, 2014 as a result of the reverse acquisition.

Fair value of share consideration paid (11,513,620 shares at $.025)		$287,840
Cash	$121,279	
Accounts payable and accrued liabilities	(189,262)	
Net liabilities acquired	(67,983)	
		(67,983)
Listing expense		$355,823

13. Management of Capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended July 31, 2014. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserve for warrants, share based payments and deficit, which as at July 31, 2014 totaled $475,327.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

14. Financial Instruments

Fair Value of Financial Instruments

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(expressed in Canadian Dollars)

14. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

The Company designated its cash as fair value through profit and loss, which is measured at fair value and is classified as Level 1.

The carrying value of the Company's loan receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.
Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk

The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash is in a trust account with the Company's lawyer.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2014, the Company had current assets of $673,525 and current liabilities of $220,150. All of the Company's financial liabilities and receivables, excluding a loan receivable (Note 5), have contractual maturities of less than 90 days and are subject to normal trade terms. As at July 31, 2014, working capital of the Company is $453,375.

15. Income Taxes

Provision for Income Taxes

No deferred tax asset has been recognized because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for Canadian income tax purposes of $293,827 which will expire in 2034.

The Company has share issue costs of $1,086 available for deduction against future Canadian taxable income over the next four years.

	July 31, 2014
Loss before income taxes	$ (681,155)
Tax rate	26.50%
Calculated income tax recovery	(180,506)
Non-deductible expense and other	8,061
Non-deductible listing expense	94,293
Change in deferred taxes not recognized	78,152
Income tax expense	$ -

(expressed in Canadian Dollars)

15. Income Taxes (continued)

Provision for Income Taxes (continued)

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	July 31, 2014
Deferred income tax assets	
Non-capital loss carry forwards	$ 77,864
Share issue costs	288
	78,152
Less: Deferred taxes not recognized	(78,152)
	$ -

16. Subsequent events

a) On August 19, 2014, the Company incorporated Eglinton Medicinal Advisory Ltd. ("EMAL"), a 51% owned subsidiary with a view of carrying out a medical advisory business jointly with EMAL's partner which owns 49%. EMAL's partner currently owns two stores called "The Dragon", an established marijuana paraphernalia retailer.

b) On August 22, 2014, NHII entered into a consulting agreement with David Imrie under which he is to serve as an Advisor to the Board of the Company and its affiliates, in establishing the medical and educational clinic, described above. The agreement is effective September 1, 2014 and is for a term of three years. In consideration for the services provided, the consultant, David Imrie, retains 100% of the Ontario Health Insurance Premium billings generated.

c) On September 1, 2014, EMAL entered into an agreement to lease clinic space. The term of the lease is one year, and ends August 1, 2015. The minimum base rent is $12,000 per annum.

d) On September 10, 2014, NHCI incorporated NH Medicinal Dispensaries Inc. ("NHMDI"), a 98% owned subsidiary and has entered into an agreement to purchase property in Lawrenceville, Illinois. The total purchase price for the Lawrenceville Property is USD $350,000 and closing is conditional on the receipt of environmental documentation if available by the seller, NHCI applying for a Dispensary License by September 15, 2014 and successfully obtaining a Dispensary License. NHMDI has retained legal counsel and submitted an application for the Dispensary License. There is no assurance that the Company will complete an acquisition of the Lawrenceville Property or obtain a Dispensary License, or that the Company will be able to finance such acquisition or investment.

e) The Company has entered into a conditional lease agreement with Palo Verde (Note 5), whereby Palo Verde will undertake marijuana-infused product manufacturing and marijuana growing operations at the Pueblo, Colorado facility to be purchased by the Company.

f) On October 8, 2014, the condition of being listed on a recognized Canadian Stock Exchange for the $100,000 unissued share capital liability was waived and the subscription closed (Note 9).

16. Subsequent events (continued)

g) On November 17, 2014, the Company completed its acquisition of the Pueblo Location for a total purchase price of USD $885,000. The acquisition was financed through the issuance of Senior and Subordinate Debentures, together with working capital.

- Senior convertible debenture of $450,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a first ranking general security interest over all assets of the Company.

- Subordinate convertible debenture of $150,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a general security interest over all assets of the Company, subordinate to the Senior Convertible Debenture. The group of lenders is comprised of directors of the Company.