Nutritional High International Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"David Posner", Director and CEO
David Posner

"Al Quong", CFO
Al Quong

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

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

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

Approved on behalf of the Board:

"Adam Szweras" Director

"Statis Rizas" Director

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

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

For the three months ended October 31		**2014**
Administrative expenses		
Management and consulting fees *(Note 8)*	**$**	**153,950**
Professional fees *(Note 8)*		**178,073**
Office and general		**47,799**
Share based payments *(Note 10)*		**4,000**
Total expenses		**(383,822)**
Other income		
Interest		**1,095**
Net loss		**(382,727)**
Other comprehensive loss		
Exchange differences on translating foreign operations		**(2,279)**
Net loss and comprehensive loss	**$**	**(385,006)**
Net loss attributable to non-controlling interest *(Note 12)*	**$**	**(1,059)**
Net loss attributable to parent company		**(381,668)**
	$	**(382,727)**
Net loss and comprehensive loss attributable to non-controlling interest *(Note 12)*	**$**	**(1,066)**
Net loss and comprehensive loss attributable to parent company		**(383,940)**
	$	**(385,006)**
Loss per share - basic and diluted (Note 3.2**)**	**$**	**0.005**
Weighted average number of shares outstanding – basic and diluted (Note 3.2**)**		**72,913,631**

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

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

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

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

Nutritional High International Inc.

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

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

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

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"), NHC Edibles LLC ("Edibles"), NH Medicinal Dispensaries Inc. ("Dispensaries"), NH Medicinal (Minnesota) Inc. and Eglinton Medicinal Advisory Ltd. ("EMAL"). The Company's objective is to take advantage of the changing regulation governing the marijuana industry in the United States and Canada. To date, the Company has not earned revenues and is considered to be a development stage entity. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

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

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

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

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

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

2. Basis of Presentation

2.1 Statement of compliance

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

2. Basis of Presentation (continued)

2.2 Basis of presentation

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

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

2.3 Basis of consolidation

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

The subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

Non-controlling interest is shown as a component of equity on the statement of financial position and the share of the loss attributable to non-controlling interest is shown as a component of loss for the year in the statement of loss and comprehensive loss.

The functional currency of the parent, Nutritional High Ltd. and Eglinton Medical Advisory Ltd. is the Canadian dollar, which is the presentation currency of the condensed interim consolidated financial statements. The functional currency of US subsidiaries is the US dollar.

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

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

IFRS 9 *'Financial Instruments: Classification and Measurement'* – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

2. Basis of Presentation (continued)

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

In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

In September 2014, the IASB issued the Annual Improvements 2012–2014 cycle to make necessary but non-urgent amendments to existing IFRSs. The amendments are effective for annual periods beginning on or after July 1, 2016; however, these amendments are not expected to have a significant impact on the Company's consolidated financial statements.

3. Summary of Significant Accounting Policies

3.1 Share based payments

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

***Equity settled transactions* (continued)**

to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.2 Loss per share

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

3.3 Taxation

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

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

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

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is

3. Summary of Significant Accounting Policies (continued)

3.3 Taxation (continued)

probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

3.4 Financial assets

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

3.5 Financial liabilities

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

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

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

3.6 Impairment of financial assets

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

3.7 Impairment of non-financial assets

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

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

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

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

3.8 Provisions

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

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

3.9 Related party transactions

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

3. Summary of Significant Accounting Policies (continued)

3.10 Share issuance costs

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

3.11 Share capital

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

3.12 Significant accounting judgments and estimates

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

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

3.13 Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

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

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

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

3. Summary of Significant Accounting Policies (continued)

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

3.14 Operating leases

Payments made under operating lease are recognized in the statement of loss and comprehensive loss on a straight-line basis over the minimum term of the lease.

4. HST and Other Receivables

The Company's HST receivable in the amount of $30,178 (July 31, 2014 – $23,747) arose from harmonized sales tax ("HST") due from the Canadian government.

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

5. Loan Receivable

Revolving line of credit of USD $150,000 to Palo Verde LLC, of which $34,925 (USD $30,000) was receivable as at October 31, 2014. Advances are unsecured, bear interest at 12% per annum and mature on July 22, 2015. Palo Verde may extend the maturity date for up to five successive one-year terms for a total of five years, but no later than July 22, 2020.

6. Property Deposits

The Company through its wholly owned subsidiary NHC Edibles, LLC made a refundable deposit of USD $20,000 on the purchase of the commercial property located in Colorado, USA with remaining commitment of USD $865,000 upon closing. The Company completed its acquisition subsequent to the period ended October 31, 2014, as described in Note 17.

The Company through its owned subsidiary NH Medicinal Dispensaries Inc. made a refundable deposit of USD $5,000 on the purchase of the commercial property located in Illinois, USA with remaining commitment of USD $345,000 upon closing.

(expressed in Canadian Dollars)

7. Accounts Payable and Accrued Liabilities

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

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

	As at October 31, 2014	As at, July 31, 2014
	$	$
Less than 1 month	**132,285**	62,321
Over 1 month	**117,873**	57,829
Total accounts payable and accrued liabilities	**250,158**	120,150

8. Related Parties and Key Management

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

For the period ended October 31, 2014, the Company incurred fees of $11,000 from Branson Corporate Services, a Company with a related director. The agreement includes a success fee of $30,000, payable upon successful completion of the public offering.

For the period ended October 31, 2014, the Company incurred fees of $24,000 from Foundation Opportunities Inc., a Company with a related director. The agreement includes a success fee of $70,000, payable upon successful completion of the public offering.

For the period ended October 31, 2014, the Company incurred fees of $132,944 from Fogler Rubinoff, a law firm in which a director of the Company is a partner.

For the period ended October 31, 2014, the Company issued 1,066,638 shares and 1,066,638 warrants to directors and key management of the Company valued at $53,332 and $3,587 respectively as described in Note 9.

For the period ended October 31, 2014, the Company incurred a finder’s fee of $4,000 and issued 160,000 finder’s warrants to Foundation Markets Inc., a Company with a related director. This was in connection with the closing of the 4,000,000 unit subscription as described in Note 9.

Total key management compensation paid amounted to $55,584 for the period ended October 31, 2014.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at October 31, 2014, $183,615 (July 31, 2014 - $106,003) is included in accounts payable and accrued liabilities.

9. Share Capital

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

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

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

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

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

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

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

On October 8, 2014, the Company closed a subscription for 4,000,000 units at $0.025 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of $0.05 per share until the earlier of 36 months from the date of issuance or 18 months following the date of a business combination between the Company and a public company pursuant to a reverse take-over, merger, amalgamation, take-over bid, insider bid, reorganization, joint venture, sale or exchange of assets or similar transaction or IPO. In connection with the subscription, the Company paid a finder’s fee of $8,000 and issued an aggregate of 320,000 finder’s warrants (Note 8), exercisable into one common share at a price of $0.025 per share until the earlier of 18 months from the closing date.

On October 31, 2014, 3,566,638 warrants were exercised at $0.05 per warrant for gross proceeds of $178,332. An additional $17,467 credited to share capital represents a transfer of the reserve for warrants in respect of the exercised warrants. The share purchase warrants have been amended to include an early exercise provision of an additional warrant exercisable into one common share at a price of $0.10 per share until 24 months from the date of issuance. As a result of the amendment, an additional 3,566,638 warrants were issued, as described in Note 11. The terms of any unexercised company warrants outstanding at October 31, 2014 remain unchanged.

(expressed in Canadian Dollars)

9. Share Capital (continued)

Cash costs in connection with the transactions amounted to $10,219.

10. Reserve for Share Based Payments

The Company established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately, unless otherwise stated, and expire on the fifth anniversary from the date of issue unless otherwise specified. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the total issued and outstanding Common shares, which was 7,948,027 at October 31, 2014.

The following table reflects the continuity of options for the period ended October 31, 2014:

	Number of Options	Amount $
Balance – July 31, 2013	-	-
Granted	2,800,000	28,000
Balance – July 31, 2014	**2,800,000**	**28,000**
Granted	**400,000**	**4,000**
Balance – October 31, 2014	**3,200,000**	**32,000**

The weighted average remaining contractual life for outstanding options is as follows:

Exercise Price	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number of Options - exercisable
$0.10	3,200,000	$ 0.10	4.70	3,200,000

During the three months ended October 31, 2014, $4,000 of share based payments was recorded in connection with 400,000 options issued on October 10, 2014, which were vested immediately. An additional 3,550,000 options have been approved by the Board but not yet issued as of the date of the approval of these condensed interim consolidated financial statements.

The estimated fair value of share based compensation during the three months ended October 31, 2014 was determined using the Black-Scholes option pricing model with the following assumptions:

	October 10, 2014
Share price	$0.020
Risk-free interest rate	1.04%
Expected life of options	5 years
Expected volatility	100%
Expected dividend yield	0%

(expressed in Canadian Dollars)

10. Reserve for Share Based Payments (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Expected volatility is based on comparable companies.

11. Reserve for Warrants

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

	Number of Warrants	Amount $
Balance - from incorporation	-	-
Warrants pursuant to private placement and option agreement	13,650,006	65,000
Balance – July 31, 2014	**13,650,006**	**65,000**
Warrants pursuant to private placement	**5,886,638**	**24,000**
Warrants exercised	**(3,566,638)**	**(17,467)**
Balance – October 31, 2014	**15,970,006**	**71,533**

During the three months ended October 31, 2014, the Company issued warrants to purchase common shares, valued at $24,000 using the Black-Scholes option pricing model using the following assumptions:

	October 8, 2014	October 31, 2014
Number of outstanding exercisable warrants	2,320,000	3,566,638
Share price	$0.020	$0.020
Risk-free interest rate	1.14%	1.04%
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Valued at	$11,000	$13,000

Warrants to purchase common shares carry exercise prices and terms to maturity at October 31, 2014 as follows:

Date of Issue	No. of warrants	Exercise Price ($)	Expiry Date
October 8, 2014	2,320,000	0.05	April 8, 2016
June 27, 2014	150,000	0.10	June 26, 2016
October 31, 2014	3,566,638	0.10	October 31, 2016
May 16, 2014	7,536,789	0.05	December 27, 2015
May 30, 2014	1,090,399	0.05	December 27, 2015
June 20, 2014	1,306,180	0.05	December 27, 2015
	15,970,006		

12. Non-controlling Interest

The Company's 98% interest in NH Medicinal Dispensaries Inc. is consolidated into the Company's condensed interim consolidated financial statements. The 2% interest attributable to a minority shareholder is then presented as "non-controlling interest" within shareholders' equity on the condensed interim consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 98% ownership and non-controlling 2% ownership interest. The Company recorded $165 of the subsidiary's net loss and comprehensive loss related to the non-controlling interest during the three month period ended October 31, 2014.

The Company's 51% interest in Eglinton Medicinal Advisory Ltd. is consolidated into the Company's condensed interim consolidated financial statements. The 49% interest attributable to a minority shareholder is then presented as "non-controlling interest" within shareholders' equity on the condensed interim consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 51% ownership and non-controlling 49% ownership interest. The Company recorded $901 of the subsidiary's net loss and comprehensive loss related to the non-controlling interest during the three month period ended October 31, 2014.

13. Management of Capital

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

The Company considers its capital to be shareholders' equity, which is comprised of share capital, reserve for share based payments, reserve for warrants, reserve for foreign exchange, and accumulated deficit, which at October 31, 2014 totaled $363,500.

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

14. Financial Instruments

Fair Value of Financial Instruments

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

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

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

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

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

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

The carrying value of the Company's accounts receivable (excluding HST), loan receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Credit Risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, loan and other receivable. The Company has no significant concentration of credit risk arising from operations. The majority of the Company's cash is held in a trust account with the Company's lawyer. Remaining cash is held with a reputable Canadian chartered bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash, loan and other receivable is minimal.

Currency Risk
The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2014, the Company had current assets of $585,086 and current liabilities of $250,158. All of the Company's financial liabilities and receivables, excluding a loan receivable (Note 5), have contractual maturities of less than 90 days and are subject to normal trade terms. As at October 31, 2014, working capital of the Company is $334,928.

15. Commitments

a) On September 1, 2014, EMAL entered into a lease agreement for the EMAL clinic. The lease carries a monthly rent of $1,000 and a term of 1 year. The lease is expected to commence in January 2015 upon completion of the clinic.

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

c) Agreements with Foundation Opportunities Inc, and Branson Corporate Services Ltd. were amended to include success fees, as described in Note 8.

16. Operating segments

The Company has two reportable segments: Marijuana-Infused Products Segment and Medical Advisory and Retail Segment. Segmentation is based upon the two distinct business objectives of the Company and reflects the basis on which management measures performance and makes decisions regarding the allocation of resources. The Company has not yet earned revenues, and expenses to date are minimal. Therefore, financial information regarding the results of each reportable segment has not been presented in these condensed interim consolidated financial statements.

17. Subsequent Events

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

a. Senior convertible debenture of $450,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a first ranking general security interest over all assets of the Company. The senior convertible debenture is convertible into common shares of the Company at any time prior to the maturity date at a price equal to a 20% premium to the price at which the Company completes its going public transaction (“Conversion Price”). If the Company fails to complete the going public transaction on or before January 31, 2015, the Conversion Price will be reduced to $0.05 per Company share. If the Company completes the going public transaction on or before January 31, 2015, but less than $1,000,000 is raised, the Conversion Price will be equal to the price at which the Company completes the going public transaction (“Conversion Price Adjustment”) and the Company will issue to the holder 450,000 Company shares immediately prior to closing the going public transition.

b. Subordinate convertible debenture of $150,000, bearing interest at 12%, maturing in 24 months from date of issue, and secured by a general security interest over all assets of the Company, subordinate to the senior convertible debenture. The group of lenders are comprised of directors of the Company. The subordinate convertible debenture carries the same Conversion Prices and Conversion Price Adjustment as the senior convertible debenture described above.