

Nutritional High International Inc.

Condensed consolidated interim financial statements

(Unaudited)

For the three and nine months ended April 30, 2017 and 2016

(in Canadian Dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The condensed consolidated interim 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 date of the statement of financial position. In the opinion of management, the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

“Jim Frazier”, Director and CEO
Jim Frazier

“Amy Stephenson”, CFO
Amy Stephenson

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

	Notes	April 30, 2017 \$	July 31, 2016 \$
Assets			
Current			
Cash		1,605,486	111,786
Short-term investment	4	1,000,000	-
Accounts receivable	5	42,269	46,950
Prepays	19	129,044	127,247
Deposits	6	2,020,200	13,132
		4,796,999	299,115
Non-current assets			
Investment properties	7	2,148,283	1,405,813
Investments	20	849,292	-
Amounts due from Palo Verde LLC	8	1,302,228	592,998
Licenses	19	66,693	201,652
Capital Assets	9	729,321	186,871
		9,892,816	2,686,449
Liabilities			
Current			
Accounts payable and accrued liabilities		216,392	1,029,164
Promissory note payable	10	-	702,493
Lease obligation	21	75,921	-
		292,313	1,731,657
Non-current liabilities			
Lease obligation	21	121,634	-
Convertible debentures	11	-	271,821
Promissory note payable	10	1,083,229	302,506
Derivative liability	11	-	4,960
		1,497,176	2,310,944
Shareholders' Equity			
Share capital	12	12,045,032	4,068,429
Shares to be issued	12 & 16	57,500	63,390
Reserve for share based payments	13	1,177,975	371,252
Reserve for warrants	14	2,405,030	778,658
Reserve for foreign currency translation		(39,497)	(9,672)
Equity component of convertible debentures	11	-	167,260
Non-controlling interest	15	(14,750)	(14,750)
Accumulated Deficit		(7,235,650)	(5,049,062)
		8,395,640	375,505
		9,892,816	2,686,449

Nature of Operations and Going concern (Note 1)
Commitments (Note 22)
Subsequent Events (Note 23)

Approved on behalf of the Board:

"Adam Szwera" Director

"Andres Tinajero" Director

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

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

	Note	Three months ended		Nine months ended	
		April 30,2017 \$	April 30, 2016 \$	April 30,2017 \$	April 30,2016 \$
Revenue					
Rental income		146,740	129,415	404,530	388,958
Interest		49,023	19,494	122,697	49,509
Consulting income		-	20,000	-	20,000
		195,763	168,909	527,227	458,467
Expenses					
Management and consulting fees	16	417,647	283,870	834,192	832,894
Professional fees	16	150,381	96,573	295,537	173,198
Business licenses and permits		-	-	87,816	-
Office and general		262,754	272,596	306,987	344,381
Share based payments	13	461,547	95,197	1,015,752	129,197
Amortization	7,9 & 19	93,586	10,169	217,327	47,430
Allowance for amounts due from Palo Verde LLC	8	145,739	45,000	326,547	155,000
Net loss from Operations before financing activities		(1,335,891)	(634,496)	(2,556,931)	(1,223,633)
Foreign exchange gain		161,425	-	152,750	-
Change in fair value of derivative liability	11	-	80,716	(132,657)	69,428
Finance costs	10 & 11	(63,158)	(47,431)	(189,632)	(99,635)
Loss on share for debt settlements	11 & 12	(396,720)	-	(264,063)	-
Extension of promissory note payable	10	(123,243)	-	(123,243)	-
Gain (Loss) from equity investments	20	199,592	-	927,188	-
Net Loss		(1,557,995)	(601,211)	(2,186,588)	(1,253,840)
Other comprehensive loss					
Items that may be subsequently reclassified to earnings:					
Exchange differences on translating foreign operations		(16,268)	16,216	(29,825)	7,324
Net loss and comprehensive loss		(1,574,263)	(584,995)	(2,216,413)	(1,246,516)
Net loss attributable to non-controlling interest	15	-	-	-	153
Net loss attributable to parent company		(1,557,995)	(601,211)	(2,186,588)	(1,253,993)
		(1,557,995)	(601,211)	(2,186,588)	(1,253,840)
Net loss and comprehensive loss attributable to non-controlling interest	15	-	-	-	153
Net loss and comprehensive loss attributable to parent company		(1,574,263)	(584,995)	(2,216,413)	(1,246,669)
		(1,574,263)	(584,995)	(2,216,413)	(1,246,516)
Weighted average number of shares outstanding					
Basic and diluted		246,113,784	140,358,612	210,669,934	124,738,372
Loss per share					
Basic and diluted		\$(0.006)	\$(0.004)	\$(0.010)	\$(0.010)

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

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

	Share Capital	Shares to be issued	Reserve for Share based payments	Reserve for Warrants	Reserve for foreign currency translation	Equity Component of Convertible Debentures	Accumulated Deficit	Attributable to owners of parent	Non-controlling interest	Total
Balance at July 31, 2015	\$ 2,719,740	\$ -	\$ 314,000	\$ 566,399	\$ (15,285)	\$ -	\$ (2,740,442)	\$ 844,412	\$ (14,073)	\$ 830,339
Private placements (Note 12)	136,205	-	-	113,000	-	-	-	249,205	-	249,205
Shares issued on exercise of warrants (Note 12)	147,179	-	-	(12,779)	-	-	-	134,400	-	134,400
Warrants issued pursuant to debenture agreement (Note 14)	(138,000)	-	-	138,000	-	-	-	-	-	-
Shares to be issued	-	33,750	-	-	-	-	-	33,750	-	33,750
Issued for non-cash consideration:										
Issued for services (Note 12)	22,833	-	-	-	-	-	-	22,833	-	22,833
Issued for license and royalty fees (Notes 12 and 19)	376,482	-	-	-	-	-	-	376,482	-	376,482
Issued for conversion of debentures (Notes 12 and 16)	649,641	-	-	-	-	-	-	649,641	-	649,641
Issued for debt settlements (Note 12)	141,135	-	-	-	-	-	-	141,135	-	141,135
Share based payments (Note 13)	-	-	44,197	-	-	-	-	44,197	-	44,197
Compensation warrants issued (Note 14)	-	-	-	85,000	-	-	-	85,000	-	85,000
Warrants expired (Note 14)	-	-	-	(52,000)	-	-	52,000	-	-	-
Share issue costs (Note 12)	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation	-	-	-	-	7,324	-	-	7,324	-	7,324
Net loss for the period	-	-	-	-	-	-	(1,253,993)	(1,253,993)	153	(1,253,840)
Balance at April 30, 2016	4,055,215	33,750	358,197	837,620	(7,961)	-	(3,942,435)	1,334,386	(13,920)	1,320,466
Private placements (Note 12)	50,993	-	-	(51,000)	-	-	-	(7)	-	(7)
Shares issued on exercise of warrants (Note 14)	(38)	-	-	38	-	-	-	-	-	-
Share to be issued	138,000	29,640	-	(138,000)	-	-	-	29,640	-	29,640
Issued for non-cash consideration:										
Issued for services (Note 12)	12,501	-	-	-	-	-	-	12,501	-	12,501
Issued for license and royalty fees (Notes 12 and 19)	(124,550)	-	-	-	-	-	-	(124,550)	-	(124,550)
Units issued for conversion of debentures (Notes 12 and 16)	(49,579)	-	-	134,000	-	-	-	84,421	-	84,421
Issued for debt settlements (Note 12)	(14,113)	-	-	-	-	-	-	(14,113)	-	(14,113)
Share based payments (Note 13)	-	-	13,055	-	-	-	-	13,055	-	13,055
Compensation warrants issued (Note 14)	-	-	-	(85,000)	-	-	-	(85,000)	-	(85,000)
Warrants expired (Note 14)	-	-	-	52,000	-	-	(52,000)	-	-	-
Warrants issued pursuant to promissory note (Note 10)	-	-	-	29,000	-	-	-	29,000	-	29,000
Conversion component of convertible debenture (Note 11)	-	-	-	-	-	167,260	-	167,260	-	167,260
Foreign exchange translation	-	-	-	-	(1,711)	-	-	(1,711)	-	(1,711)
Net loss for the period	-	-	-	-	-	-	(1,054,627)	(1,054,627)	(830)	(1,055,457)
Balance at July 31, 2016	4,068,429	63,390	371,252	778,658	(9,672)	167,260	(5,049,062)	390,255	(14,750)	375,505
Private placements (Note 12)	3,426,555	-	-	2,285,331	-	-	-	5,711,886	-	5,711,886
Shares issued on exercise of warrants (Note 14)	3,038,882	-	-	(873,959)	-	-	-	2,164,923	-	2,164,923
Shares issued on exercise of options (Note 13)	620,854	-	(209,029)	-	-	-	-	411,825	-	411,825
Shares issued pursuant to debenture agreement (Note 12)	313,707	-	-	-	-	-	-	313,707	-	313,707
Shares to be issued (Note 16)	-	(5,890)	-	-	-	-	-	(5,890)	-	(5,890)
Issued for non-cash consideration:										
Issued for debt settlements (Note 12)	576,605	-	-	113,000	-	-	-	689,605	-	689,605
Warrants issued pursuant to promissory note (Note 10)	-	-	-	62,000	-	-	-	62,000	-	62,000
Warrants modified pursuant to promissory note (Note 10)	-	-	-	40,000	-	-	-	40,000	-	40,000
Share based payments (Note 13)	-	-	1,015,752	-	-	-	-	1,015,752	-	1,015,752
Conversion component of convertible debenture (Note 11)	-	-	-	-	-	(167,260)	-	(167,260)	-	(167,260)
Foreign exchange translation	-	-	-	-	(29,825)	-	-	(29,825)	-	(29,825)
Net loss for the period	-	-	-	-	-	-	(2,186,588)	(2,186,588)	-	(2,186,588)
Balance at April 30, 2017	\$ 12,045,032	\$ 57,500	\$ 1,177,975	\$ 2,405,030	\$ (39,497)	\$ -	\$ (7,235,650)	\$ 8,410,390	\$ (14,750)	\$ 8,395,640

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

Nutritional High International Inc.
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the nine months ended April 30,	Notes	2017 \$	2016 \$
OPERATING ACTIVITIES			
Net Loss		(2,186,588)	(1,253,840)
Items not affecting cash			
Gain from equity investments	20	(927,188)	-
Loss on share for debt settlements	11 & 12	264,063	-
Extension of promissory note payable	10	123,243	-
Amortization		217,327	(47,430)
Finance cost		98,412	-
Share based payments	13	1,015,752	129,197
Allowance for amounts due from Palo Verde LLC		326,547	-
Change in the fair value of derivative liability		132,657	(269,069)
Net change in non-cash working capital:			
Accounts receivable		4,681	108,874
Prepays		(4,933)	(190,538)
Inventory		-	(23,833)
Amounts due from Palo Verde LLC	7	(396,433)	(261,669)
Accounts payable and accrued liabilities	9	(228,401)	1,166,881
Lease obligation	21	121,634	-
Cash Flow used in Operating Activities		(1,439,227)	(641,427)
INVESTING ACTIVITIES			
Deposits	6	(1,970,340)	(5,878)
Amounts due from Palo Verde LLC		(663,797)	-
Purchase of short-term investments		(1,000,000)	-
Purchase of investment properties		(875,536)	(580,065)
Purchase of capital assets	8	(756,629)	-
Investments	20	(334,265)	-
Cash Flow used in Investing Activities		(5,600,567)	(585,943)
FINANCING ACTIVITIES			
Issuance of units, net of share issue costs		5,713,304	1,586,475
Promissory note payable, net of financing costs		236,989	321,514
Repayment of promissory note		(11,489)	(13,237)
Shares issued on warrants exercised		2,147,284	-
Shares issued on options exercised		411,825	-
Convertible debentures issued, net of issue costs		99,589	(416,330)
Shares to be issued		(5,890)	33,750
Cash Flow from Financing Activities		8,591,612	1,512,172
Net increase in cash		1,551,818	284,802
Effects of exchange rate changes on cash		(58,118)	114,887
Cash at beginning of period		111,786	19,567
Cash at end of period		1,605,486	419,256

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

Nutritional High International Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Nutritional High International Inc. ("Nutritional High" or "the Company" or "NHII") is a publicly traded company incorporated in Canada on July 19, 2004 under the Canada Business Corporations Act. The Company is listed on the Canadian Securities Exchange (CSE) under the symbol "EAT", on the OTCQB Marketplace under US the symbol "SPLIF" and on the Frankfurt Stock Exchange (FRANKFURT) under the symbol "2NU". The Company is focused on developing, manufacturing and distributing products and recognized brands in the hemp and marijuana-infused products industries, including edibles and oil extractions for nutritional, medical and adult recreation use in the United States. The Company works exclusively through licensed facilities in jurisdictions where such activity is permitted and regulated by US state law. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1.

The condensed consolidated interim financial statements for the nine months ended April 30, 2017 were approved by the Board of Directors on June 28, 2017.

The Company has been incurring operating losses and cash flow deficits since its inception, as it executes on its business plan to capitalize on the opportunity that is emerging from the gradual relaxing of prohibitions in the United States on the cannabis industry. The Company's operations are not yet sustaining. As such, the Company has been depleting its invested capital and is dependent upon obtaining necessary financing from time to time to finance its on-going and planned activities and to cover administrative costs. There is no assurance that any prospective project in the medical marijuana industry will be successfully initiated or completed. Further, regulatory evolution and uncertainty may require the Company to alter its business plan and make further investments to react to regulatory changes.

At April 30, 2017, the Company had a working capital of \$4,504,686 (July 31, 2016 – deficiency \$1,432,542), spent \$1,439,227 (April 30, 2016 - \$641,427) of cash for operating activities, had not yet achieved profitable operations, has accumulated losses of \$7,091,177 (July 31, 2016 - \$5,049,062) and expects to incur further losses in the development of its business, all of which describes the material uncertainties that cast significant 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 as they come due. There is no assurance that the Company will successfully raise this financing. These unaudited condensed consolidated interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern, which could be material.

2. Basis of Presentation

2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not contain all the required annual disclosures in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited consolidated financials for the year ended July 31, 2016.

2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Nutritional High International Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.3 Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned subsidiaries 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 fully consolidated from the date that control commences and de-consolidated from the date control ceases.

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

The Company's subsidiaries and investments in affiliates are listed below:

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

* Dissolved on October 19, 2016.

** Incorporated after July 31, 2016.

The functional currency of the Company, NHII Holdings Ltd., NHC IP Holdings Corp. and Eglinton Medical Advisory Ltd. is the Canadian dollar, which is also the presentation currency of the condensed consolidated interim financial statements. The functional currency of the remaining wholly-owned subsidiaries is US dollar.

Intercompany balances and transactions and unrealized gains or losses arising from intercompany transactions are eliminated in preparing the condensed consolidated interim financial statements.

Nutritional High International Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.4 New accounting policy adopted

- IAS 28, Investments in associates and joint ventures. Investments in associates are accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

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

At the date of authorization of these unaudited condensed consolidated interim financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. 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.

Pronouncements effective for annual periods beginning on or after July 31, 2017 that may have a material impact on the Company's financial statements:

- In January 2016, the IASB issued the disclosure initiative amendments to IAS 7, statement of Cash Flow. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes.
- IAS 12, Income Taxes was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimate for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary difference. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet assessed the impact of this new standard.
- In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018 with prospective application. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company has not yet assessed the impact of this new standard.
- In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard will replace IAS 39, Financial instruments: recognition and measurement. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exceptions. Early adoption is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. The Company has not yet assessed the impact of this new standard.

Nutritional High International Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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

- IFRS 15, Revenue from contracts with customers will replace the existing standards for revenue recognition. IFRS 15 established a framework for the recognition and measurement of revenues derived from contracts with customers, and providing users of financial statements with more informative, relevant disclosure. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this new standard.
- In December 2016, IFRIC 22, Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued by the IASB. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this new standard.
- IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset’s use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company has not yet assessed the impact of this new standard.

3. Significant accounting judgments and estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to recoverability of amount due from Palo Verde LLC (Note 8), valuation of deferred income tax amounts, gain on de-consolidation of NHMD and SMHI and valuation of warrants and options issued.

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

4. Short-term investment

Short-term investment consists of Canadian bank issued guaranteed investment certificate with annual interest rate of 1.15% and maturity date of February 6, 2018.

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5. Accounts Receivable

The Company's accounts receivable consists of harmonized sales tax ("HST") receivable and other receivable. The breakdown of the accounts receivable balance is as follows:

	April 30, 2017	July 31, 2016
	\$	\$
HST recoverable	35,928	46,950
Other receivable	6,341	-
Balance	42,269	46,950

6. Deposits

	April 30, 2017	July 31, 2016
	\$	\$
License deposits ⁽ⁱ⁾	1,638,000	-
Property deposits ⁽ⁱⁱ⁾	382,200	13,132
Balance	2,020,200	13,132

- (i) On January 26, 2017 and February 17, 2017, the Company deposited a total of \$1,365,000 (US\$1,000,000) into escrow to acquire provisional producer and processor licenses ("Henderson licenses") in Henderson, Nevada (Note 19). On March 17, 2017, the Company paid a total of \$286,650 (US\$210,000) as initial permit application fees to grow and process medical marijuana. If the initial permit is not granted, \$273,000 (US\$200,000) will be refunded.
- (ii) On February 17, 2017, the Company advanced \$218,400 (US\$160,000) as a deposit in escrow to acquire a real estate property associated to Henderson licenses. On March 10, 2017, the Company advanced \$27,300 (US\$20,000) as a deposit to acquire a real estate property, the purchase of which has now been terminated. On March 14, 2017, the Company paid \$136,500 (US\$100,000) as a deposit to purchase a real estate property in Nevada (Note 22).

7. Investment properties

Cost	Land	Building	Total
	\$	\$	\$
Balance at July 31, 2015	163,500	994,080	1,157,580
Additions	58,384	691,907	750,291
Effect of movement in exchange rates	(300)	(5,417)	(5,717)
Balance at July 31, 2016	221,584	1,680,570	1,902,154
Additions	220,712	654,825	875,537
De-consolidated (Note 20)	(7,191)	(163,562)	(170,753)
Effect of movement in exchange rates	7,967	60,713	68,680
Balance at April 30, 2017	443,072	2,232,546	2,675,618

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7. Investment properties (continued)

<u>Accumulated Amortization and Accumulated impairment</u>	Land	Building	Total
	\$	\$	\$
Balance at July 31, 2015	-	27,998	27,998
Amortization for the year	-	39,219	39,219
Impairment	51,424	377,033	428,466
Effect of movement in exchange rates	-	667	658
Balance at July 31, 2016	51,424	444,917	496,341
Amortization for the period	-	27,159	27,159
Effect of movement in exchange rates	-	3,835	3,835
Balance at April 30, 2017	51,424	475,911	527,335

<u>Carrying Amounts</u>	Land	Building	Total
	\$	\$	\$
Balance at July 31, 2015	163,500	966,082	1,129,582
Balance at July 31, 2016	170,160	1,235,653	1,405,813
Balance at April 30, 2017	391,648	1,756,635	2,148,283

- (i) The Pueblo property is located in Pueblo West, Colorado and is leased to Palo Verde LLC (Note 8). The fair value of the Pueblo West investment property as at April 30, 2017 and July 31, 2016 continue to approximate the carrying value.

Future minimum lease payments receivable on the investment property are as follows:

	\$
Less than 1 year	1,056,305
1-2 years	746,902
2-3 years	532,350
3-4 years	532,350
4-5 years	532,350
5 years and over	2,642,526
	6,042,783

- (ii) The Lawrenceville property was purchased by the Company, through its former wholly-owned subsidiary, SMHI, with the intention of being used to open a dispensary in Illinois. The Company located another property for the dispensary site, and thus the Lawrenceville property was being marketed for sale, but the sale was assessed as not highly probable as at July 31, 2016. The Company identified this as an impairment indicator, and an impairment loss of \$428,457 was recorded to reduce the carrying value of the property to fair value less costs to sell of \$169,147 in 2016.

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7. Investment properties (continued)

On September 17, 2016, ILDISP LLC earned in 50% interest in SMHI and the Company ceased control on SMHI and consequently, Lawrenceville property was de-consolidated (Note 20) from the condensed consolidated interim statement of financial position.

- (iii) On March 24, 2017, the Company closed an acquisition of a real estate property in the City of La Pine ("La Pine") located in Deschutes County, Oregon for \$544,635 (US\$399,000) (Note 23).

8. Amounts due from Palo Verde LLC

The Company has lent Palo Verde LLC ("Palo Verde") monies pursuant to a credit agreement and has leased property to Palo Verde pursuant to two lease agreements, as disclosed below. The Company intends on entering into a branding arrangement with Palo in respect of its licensing arrangement (Note 19).

	April 30, 2017	July 31, 2016
	\$	\$
Rental income receivable ⁽ⁱ⁾	1,123,115	674,872
Other receivable ⁽ⁱ⁾	85,794	-
Revolving loan receivable ⁽ⁱⁱ⁾	537,432	140,999
Interest receivable	206,887	77,127
	1,953,228	892,998
Impairment on amounts receivable ⁽ⁱⁱⁱ⁾	(651,000)	(300,000)
Balance	1,302,228	592,998

- (i) Rental income receivable is generated from the Pueblo property in Colorado (Note 7). Rental income receivable was deferred and includes accrued interest at 12% per annum up to April 18, 2017. The rental income receivable was due 30 days after the commencement of production of marijuana products by Palo Verde, of which the balance remains outstanding as of April 30, 2017. On April 18, 2017, the lease agreement was amended and extended to April 17, 2027 and under the new term, the rental income receivable was further deferred until Palo Verde attains gross sales of US\$125,000 per month for a period of three consecutive months; thereafter, Palo Verde shall pay rent and all deferred rent in equal monthly installments over the following twelve consecutive months or otherwise as agreed by the Company and Palo Verde. As of April 30, 2017, this has not been triggered. Other receivable consists of recoverable expenses related to Pueblo property. As at April 30, 2017, the accrued interest on rental income and other receivable was \$157,219 (US\$115,179) (July 31, 2016 – \$54,316 (US\$41,650))

- (ii) The revolving loan agreement is unsecured, bears interest at 12% per annum and the maturity date may be extended for up to an additional four successive one-year terms for a total of five years, but no later than July 22, 2020 for a fee equal to 1% of the outstanding revolving credit loan. The loan was due on September 30, 2016. On September 1, 2016, amounts due under the note were deferred until February 28, 2017. On February 28, 2017, the loan was further extended to May 31, 2018 and the loan credit commitment was increased from US\$150,000 to US\$375,000. On April 18, 2017, the revolving loan credit commitment was increased to US\$500,000 and the loan balance was deferred and accrued on the same term as the amended rental agreement (Note 8 (i)).

Revolving loan of \$537,432 (US\$393,723) (July 31, 2016 – \$140,999 (US\$108,120)) and accrued interest of \$49,668 (US\$36,387) (July 31, 2016 – \$22,811 (US\$17,492)) was receivable as at April 30, 2017.

- (iii) An allowance was recorded for April 30, 2017 and July 31, 2016 on account of the uncertainties surrounding recoverability of the loan and rental income receivable in respect of timing and unexpected financing delays.

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9. Capital Assets

	Manufacturing Equipment	Computer	Leasehold Improvements	Total
	\$	\$	\$	\$
<u>Cost</u>				
Balance at July 31, 2015	-	-	-	-
Additions	80,854	10,917	96,679	188,450
Balance at July 31, 2016	80,854	10,917	96,679	188,450
Additions	685,124	11,748	59,757	756,629
De-consolidated (Note 20)	-	(21,163)	(159,119)	(180,282)
Effect of movement in exchange rates	15,348	343	2,683	18,374
Balance at April 30, 2017	781,326	1,845	-	783,171
<u>Accumulated Amortization</u>				
	Manufacturing Equipment	Computer	Leasehold Improvement	Total
	\$	\$	\$	\$
Balance at July 31, 2015	-	-	-	-
Additions	337	538	704	1,579
Balance at July 31, 2016	337	538	704	1,579
Additions	53,168	1,908	1,783	56,859
De-consolidated (Note 20)	-	(2,270)	(2,505)	(4,775)
Effect of movement in exchange rates	153	16	18	187
Balance at April 30, 2017	53,658	192	-	53,850
<u>Carrying Amounts</u>				
	Manufacturing Equipment	Computer	Leasehold Improvement	Total
	\$	\$	\$	\$
Balance at July 31, 2016	80,517	10,379	95,975	186,871
Balance at April 30, 2017	727,669	1,652	-	729,321

10. Promissory Note Payable

On November 4, 2015, the vendor of the Lawrenceville property in Illinois (Note 7) provided a buyer take-back mortgage in the amount of US\$250,000. The mortgage had a 15-year amortization period, bearing interest at the rate of 6%, payable US\$2,110 monthly including interest and due in two years from the date of issuance as a balloon payment. On September 17, 2016, ILDISP LLC earned in their 50% interest in SMHI (Note 20) and the Company lost control on SMHI. As a result, the promissory note payable was de-consolidated (Note 20).

On April 19, 2016, the Company entered into a refinancing arrangement of its Pueblo, Colorado property in the amount of US\$800,000 in the form of a promissory note which has a twelve-month term bearing interest at 13% per annum payable monthly. As part of the agreement, the Company issued 3,333,334 warrants with exercise price of \$0.06 and expiry date of October 14, 2017 valued at \$29,000. Under the terms of the refinancing, the lender provided an initial advance of \$756,840 (US\$600,000) on April 26, 2016 and \$266,760 (US\$200,000) on December 1, 2016. The loan was due in full on April 26, 2017 with option to extend for six months if minimum monthly revenue at the Pueblo, Colorado property reached US\$200,000. There was a further option to extend the term for an additional six months at an increased interest rate of 18.5% and an extension fee equals to 10% of the outstanding amount.

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10. Promissory Note Payable (continued)

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

	April 30, 2017	July 31, 2016
	\$	\$
Opening balance	1,004,999	-
Advances	266,760	1,106,990
Deferred financing costs	(8,771)	(128,034)
Deferred financing amortization	98,412	33,674
Repayments	(11,489)	(22,009)
De-consolidated on the joint venture	(322,079)	-
Effect of movement in exchange rates	55,397	14,378
	1,083,229	1,004,999
Current	-	702,493
Long-term	1,083,229	302,506

11. Convertible debentures

On November 17, 2014, the Company closed its non-brokered private placement of secured convertible debentures for total gross proceeds of \$600,000 as follows:

- (i) Senior convertible debentures 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 debentures are 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 or \$0.06 per Company share ("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. On January 19, 2015, an amendment was made to the agreement to extend the going public date from January 31, 2015 to March 16, 2015, in consideration for \$30,000, convertible into common shares at the offering price.

On October 23, 2015, \$180,000 of the convertible debentures were converted into 3,000,000 common shares (Note 12). On November 5, 2015, \$100,000 of the convertible debentures were converted into 1,666,667 common shares (Note 12). On November 12, 2015, \$70,000 of the convertible debentures were converted into 1,166,667 common shares (Note 12).

On December 21, 2015, the Company entered into an amending agreement with the holder of Senior Convertible debentures to provide for the pre-payment. The Company agreed to issue 3,750,000 Common share purchase warrants to the holder of the Secured Convertible debentures immediately, and paid a fee in the amount of \$27,000 if the Company elects to proceed with pre-payment. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.06 per common share for a period of two years from the date of warrants. The warrants were valued at \$134,000 on issuance. The remaining \$100,000 of convertible debt was pre-paid in full on April 27, 2016.

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11. Convertible debentures (continued)

- (ii) Subordinate convertible debentures 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 debentures. The group of lenders was comprised of directors of the Company. The subordinate convertible debentures carried the same Conversion Prices and Conversion Price Adjustment as the senior convertible debentures described above. On January 19, 2015, an amendment was made to the agreement to extend the going public date from January 31, 2015 to March 16, 2015.

The debentures were classified as a liability at amortized cost for the host component and its embedded derivative was classified at fair value through profit and loss as the conversion feature of debentures failed equity classification. The fair value of the derivative was calculated using the Black-Scholes model based on management's estimate of the rates that are reflective for the Company. Changes in these estimates could result in significant changes in the fair value of the derivative.

The debt issue costs in the amount of \$30,000 were recorded against the debentures liability and amortized using the effective interest method. As at April 30, 2017, \$Nil (2016 - \$22,884) was recorded as accrued interest in accounts payable and accrued liabilities.

On October 6, 2016, \$150,000 of convertible debentures and \$26,090 accrued interest were converted into 2,934,830 common shares at \$0.06 per share (Note 12).

A fair value adjustment loss on the convertible debentures for the nine months ended April 30, 2017, of \$132,657 (2016 – gain of \$69,428) has been reflected in the condensed consolidated interim statement of comprehensive loss as change in the fair value of the derivative liabilities. The interest and accretion expense in the amount of \$5,047 (2016- \$13,909) are recorded as a finance cost for the nine months ended April 30, 2017.

On April 4, 2016, the Company through its wholly-owned subsidiaries, NHMD and SMHI, entered into a restated letter agreement whereby the Company agreed to a work plan and earn-in with ILDISP, LLC (the "Purchaser") whereby the Purchaser shall fund up to US\$300,000 (the "Initial Funding") of the expenses necessary to complete the Company's dispensary in Illinois acceptable and approved by the Illinois Department of Financial and Professional Regulation ("IDFPR") and fund the first four months of working capital to earn 50% interest in each NHMD and SMHI. For the Initial Funding of US\$300,000, the Purchaser shall receive from the Company:

- (i) An unsecured no interest promissory note in the amount of US\$200,000;
- (ii) An unsecured convertible note in the amount of US\$100,000:
- Upon approval of the IDFPR of the Purchaser's application with respect to its interests in NHMD ("Purchaser IDFPR Application"), convertible into 100 shares at US\$500 per NHMD shares and 100 shares at US\$500 per SMHI shares;
 - Upon rejection of the Purchaser IDFPR Application, convertible into an unsecured promissory note issued by NHMD with a maturity of six (6) years with no interest for the first four (4) years and 5% per annum thereafter.

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11. Convertible debentures (continued)

The promissory note and convertible note have been evaluated as one financial instrument, as both were issued to the same lender, as part of the same financing agreement. The conversion feature can be settled by exchanging a fixed amount for cash for a fixed number of equity instrument, and as such, is classified as equity component of convertible debt. The debt was bifurcated between its debt and equity components on the date of issuance. The company has calculated the initial fair value of the liability component using an effective interest rate of 20%, and the residual balance was applied to the equity component. As of July 31, 2016, total contribution from the purchaser was \$291,427, of which \$124,167 was included in the convertible debentures and \$167,260 was included in equity component of convertible debentures.

On September 17, 2016, the Purchaser's contribution reached US\$300,000, the total Initial Funding agreed upon, and the Purchaser IDFP Application was approved. Consequently, the convertible note was converted into 100 NHMD shares and 100 SMHI, which represent 50% interest in each of NHMD and SMHI (Note 20).

12. Share Capital

The following table reflects the continuity of share capital for the nine months ended April 30, 2017 and year ended July 31, 2016:

	Number of Shares	Amount \$
Balance, July 31, 2015	119,369,381	2,719,740
Issued on private placements, net of share issue costs (vii) (ix)	5,000,000	187,198
Issued on exercise of warrants (Note 14)	2,768,000	147,141
Issued for convertible debentures (iii) (v) (vi)	5,833,334	600,062
Issued for license and royalty (i) (x)	5,692,431	251,932
Issued for debt settlements (viii)	2,822,700	127,022
Issued for services (ii) (iv) (xi)	706,668	35,334
Balance, July 31, 2016	142,192,514	4,068,429
Issued on private placements, net of share issue costs (xii)(xiii)(xvi) (xvii)(xviii)	59,348,095	3,444,194
Issued on exercise of warrants (Note 14)	31,701,952	3,021,243
Issued on exercise of options (Note 13)	3,932,500	620,854
Issued for convertible debentures (xv)	2,934,830	313,707
Issued for debt settlements (xiv)	8,870,844	576,605
Balance, April 30, 2017	248,980,735	12,045,032

The Company is authorized to issue an unlimited number of common shares without par value.

- (i) On August 20, 2015, the Company issued 692,431 shares valued at \$51,932 as the final instalment on its initial licensing obligations, as described in Note 19.
- (ii) On September 7, 2015, the Company issued 406,668 shares valued at \$20,334 as compensation for services where the fair value of shares was determined based on the value of services received.

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12. Share Capital (continued)

- (iii) On October 23, 2015, a holder of the convertible debentures (Note 11) converted \$180,000 in convertible debentures into 3,000,000 common shares of the Company at a share price of \$0.06 per share.
- (iv) On October 26, 2015, the Company issued 50,000 shares valued at \$2,500 as compensation for services where the fair value of shares was determined based on the value of services received.
- (v) On November 5, 2015, a holder of the convertible debentures (Note 11) converted \$100,000 in convertible debentures into 1,666,667 common shares of the Company at a share price of \$0.06 per share.
- (vi) On November 12, 2015, a holder of the convertible debentures (Note 11) converted \$70,000 in convertible debentures into 1,166,667 common shares of the Company at a share price of \$0.06 per share.
- (vii) On December 2, 2015, the Company completed a non-brokered private placement of 4,200,000 units at \$0.05 per unit for gross proceeds of \$210,000. 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 \$0.07 per share for a period of 18 months from the date of issuance. In connection with the private placement, the Company issued 16,000 finders' units. Each finder's unit is exercisable at \$0.05 for 18 months from closing and each finder's unit comprised of one common share and one half of a warrant with an exercise price of \$0.07 expiring 18 months from closing.
- (viii) On January 28, 2016, the Company has issued 2,822,700 shares to settle \$141,135 of debt, where the fair value of shares was determined based on the share price at the date of issuance. A gain of \$14,113 was recognized as a result of this debt settlement.
- (ix) On January 31, 2016, the Company completed a non-brokered private placement of 800,000 units at \$0.05 per unit for gross proceeds of \$40,000. 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 \$0.07 per share for a period of 18 months from the date of issuance.
- (x) On March 18, 2016, pursuant to the amendment of the exclusive licensing agreement with Purple Haze Properties LLC, the Company issued 5,000,000 common shares at \$0.065 (US\$ 0.05) per share.
- (xi) On June 9, 2016, 250,000 shares were issued at \$0.05 per share for gross proceeds of \$12,500 as per consulting service agreement with a German company, Deutsche Gesellschaft Fur Wertpapieranalyse GMBH. The fair value of shares was determined based on the value of the service provided.
- (xii) On August 26, 2016, 11,432,580 units were issued in the first tranche of a private placement at \$0.035 per unit for an aggregate gross proceeds of \$400,140. Each unit comprised of one common share and one half of a warrant with an exercise price of \$0.05 for 18 months from closing. In connection with the private placement, the Company paid transaction cost of \$5,460 and issued 22,857 finder's units valued at \$Nil. Each finder's unit is exercisable at \$0.035 for 18 months from closing and each finder's unit comprised of one common share and one half of a warrant with an exercise price of \$0.05 expiring 18 months from closing.

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12. Share Capital (continued)

- (xiii) On September 9, 2016, the Company completed the second and final private placement consisting of 11,445,960 units at a price of \$0.035 per unit for an aggregate gross proceeds of \$400,609. Each unit comprised of one common share and one half of a warrant with an exercise price of \$0.05 for 18 months. In connection with the private placement, the Company incurred \$12,591 of transaction and commission costs and issued 133,143 finder's warrants valued at \$5,000. Each warrant is exercisable at \$0.035 for 18 months after closing.
- (xiv) On September 12, 2016, the Company issued 8,870,844 units to settle \$443,542 of debt at a deemed price of \$0.05 per unit valued at \$707,605. Each unit is comprised of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one common share at price of \$0.07 per common Share for a period of 18 months after the closing date. A loss of \$264,063 is recognized because of this debt settlement. A total of 6,665,174 units were issued to non-arms' length parties to settle the debts in the amount of \$333,258.
- (xv) On October 6, 2016, subordinate convertible debentures of \$150,000 together with interest owing of \$26,090 were converted to 2,934,830 common shares at the price of \$0.06 per share (Note 11).
- (xvi) On November 8, 2016, the Company completed the first tranche of the non-brokered private placement, consisting of 7,658,710 units at a price of \$0.15 per unit for an aggregate gross proceeds of \$1,148,807. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at \$0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred \$113,996 of transaction and commission costs and issued 552,884 finder's units valued at \$197,000. Each finder's unit is exercisable at \$0.15 for 24 months and each finder's unit comprised of one common share and one half of a warrant with an exercise price of \$0.22 expiring 24 months from closing.
- (xvii) On November 18, 2016, the Company completed the second tranche of the non-brokered private placement, consisting of 25,615,880 units at a price of \$0.15 per unit for an aggregate gross proceeds of \$3,842,382. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at \$0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred \$379,277 of transaction and commission costs and issued 1,933,462 finder's units valued at \$690,000. Each finder's unit is exercisable at \$0.15 for 24 months and each finder's unit comprised of one common share and one half of a warrant with an exercise price of \$0.22 expiring 24 months from closing.
- (xviii) On November 24, 2016, the Company completed the final tranche of the non-brokered private placement, consisting of 3,194,965 units at a price of \$0.15 per unit for an aggregate gross proceeds of \$479,245. Each unit consists of one common share of the Company and one-half one common share purchase warrant. Each Warrant entitles the holder to purchase a Common Share at \$0.22 per share for a period of 18 months from closing. In connection with the private placement, the Company incurred \$51,555 of transaction and commission costs and issued 285,270 finder's units valued at \$88,000. Each finder's unit is exercisable at \$0.15 for 24 months and each finder's unit comprised of one common share and one half of a warrant with an exercise price of \$0.22 expiring 24 months from closing.
- (xix) On April 28, 2017, the Company received a deposit of \$5,000 in connection to the exercise of 100,000 options at \$0.05 per share, which were issued subsequent to April 30, 2017.

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13. 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 24,898,074 at April 30, 2017.

The following table reflects the continuity of options for the nine months ended April 30, 2017 and year ended July 31, 2016:

	Number of Options	Amount
Balance, July 31, 2015	11,000,000	\$ 314,000
Granted (i)(ii)(iii)(iv)	4,340,000	69,202
Expired	(4,100,000)	(11,950)
Balance, July 31, 2016	11,240,000	\$ 371,252
Granted (v)(vi)(vii)(viii)(ix)(x)(xi)	10,085,000	1,015,752
Exercised	(3,932,500)	(209,029)
Forfeited	(650,000)	-
Balance, April 30, 2017	16,742,500	\$ 1,177,975

- (i) On September 16, 2015, the Company granted 1,100,000 stock options to an officer to purchase common shares of the Company at the exercise price of \$0.075 exercisable until 60 months from the date of issuance, vesting quarterly over 3 years.
- (ii) On December 21, 2015, the Company granted 500,000 stock options to a director and an officer, to purchase common shares of the Company at the exercise price of \$0.075 exercisable until 60 months from the date of issuance, vesting quarterly over 3 years.
- (iii) On April 21, 2016, the Company granted 2,500,000 stock options to an officer to purchase common shares of the Company at the exercise price of \$0.07 exercisable until 60 months from date of issuance, vesting every 6 months over 3 years.
- (iv) On June 14, 2016, the company granted 240,000 stock options to a consultant, Cor Capital Inc as per resolution to purchase common shares of the Company at the exercise price of \$0.07 exercisable from time to time up but not after June 14, 2018..
- (v) On October 14, 2016, the Company granted 170,000 stock options to Soar Financial Partners, a provider of Investor Relations and Public Relations services to purchase common shares of the Company at the exercise price of \$0.13 exercisable from time to time up to October 14, 2018.
- (vi) On October 17, 2016, the Company granted 500,000 stock options to Boom Capital Partners Inc, a provider of Investor Relations and Public Relations services, and 2,450,000 stock options to the Company's Directors, Officers, and Consultant to purchase common shares of the Company at the exercise price of \$0.135 exercisable from time to time for a period of five years from the date of issuance.
- (vii) On November 29, 2016, the Company granted 315,000 stock options to four arm's length consultants. The options are exercisable into Common Share of the Company at a price of \$0.30 per Common Share for a period of two years from the date of issuance.
- (viii) On February 8, 2017, 850,000 options were granted to a consultant as part of service fee. The options are exercisable into common shares of the Company at a price of \$0.205 per Common Share for a period of two years from the date of issuance.

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13. Reserve for Share Based Payments (continued)

- (ix) On February 16, 2017, 500,000 options were granted to a consulting company as part of service fee. The options are exercisable into common shares of the Company at a price of \$0.20 per Common Share for a period of two years from the date of issuance. The options vest in equal quarterly instalments over 2 years.
- (x) On April 17, 2017, 3,100,000 options were granted to board of directors of the Company. The options are exercisable to Common Share of the Company at a price of \$0.15 per Common Share for a period of five years from the date of issuance. The options vest 25% immediately and 25% vest every 6 months until fully vested.
- (xi) On April 17, 2017, 2,200,000 options were granted to consultants of the Company. The options are exercisable to Common Share of the Company at a price of \$0.15 per Common Share for a period of five years from the date of issuance.

In connection to the options granted to consultants during the nine months ended April 30, 2017 and year ended December 31, 2017, the fair value of services received cannot be estimated reliably, thus the fair value of the options has been measured using the Black-Scholes option pricing model which used the fair value of common shares of the Company as a reference on grant date.

The estimated fair value of options granted during the nine months ended April 30, 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	91%- 157%
Expected life	2-5 years
Risk-free interest rate	0.60%- 1.03%
Expected dividend yield	0%
Forfeiture rate	0%

The estimated fair value of options granted during the year ended July 31, 2016 was determined using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes input ranges

Volatility	110%- 192%
Expected life	2-5 years
Risk-free interest rate	0.60%- 0.87%
Expected dividend yield	0%
Forfeiture rate	0%

Option pricing models require the input of highly subjective assumptions and changes in the input assumptions can materially affect the fair value estimated. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the zero coupon government of Canada bonds with a remaining term equal to the expected life of the options.

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13. Reserve for Share Based Payments (continued)

As at April 30, 2017, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
October 14, 2018	\$0.130	127,500	127,500
November 29, 2018	\$0.300	315,000	315,000
February 8, 2019	\$0.205	850,000	850,000
February 16, 2019	\$0.200	500,000	-
July 7, 2019	\$0.100	1,600,000	1,600,000
March 18, 2020	\$0.100	2,300,000	2,300,000
April 1, 2020	\$0.100	250,000	250,000
June 10, 2020	\$0.100	400,000	400,000
December 21, 2020	\$0.075	350,000	145,833
April 21, 2021	\$0.070	2,500,000	1,250,000
October 17, 2021	\$0.135	2,250,000	2,250,000
April 17, 2022	\$0.135	2,200,000	2,200,000
April 17, 2022	\$0.135	3,100,000	775,000
		16,742,500	12,463,333

As at April 30, 2017, the weighted average exercise price of the stock options was \$0.123 (2016 - \$ 0.09) and the weighted average remaining contractual life of the stock options was 3.75 years (2016 – 4.07 years). For the nine months ended, April 30, 2017, the weighted average exercise price of the stock options exercised was \$0.105.

14. Reserve for Warrants

The following table reflects the continuity of warrants for the nine months ended April 30, 2017 and year ended July 31, 2016:

	Number of Warrants	Amount
Balance, July 31, 2015	34,082,806	\$ 566,399
Warrants pursuant to private placements (Note 12)	2,500,000	62,000
Warrants pursuant to debenture debenture (Note 11)	3,750,000	134,000
Warrants issued pursuant to promissory note (Note 10)	3,333,334	29,000
Warrants expired	(9,539,368)	-
Warrants exercised	(2,768,000)	(12,741)
Balance, July 31, 2016	31,358,772	\$ 778,658
Warrants pursuant to private placements (Note 12)	33,766,364	2,267,331
Warrants issued pursuant to debt settlement (Note 12)	4,435,422	131,000
Warrants issued pursuant to promissory note (Note 10)	1,000,000	62,000
Warrants modified pursuant to promissory note (Note 10)	-	40,000
Warrants expired	(667,400)	-
Warrants exercised	(31,701,952)	(873,959)
Balance, April 30, 2017	38,191,206	\$ 2,405,030

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14. Reserve for Warrants (continued)

On December 21, 2015, the company amended the exercise period of its share purchase warrants issued on June 27, 2014 from 18 months to 21 months. 5,563,348 Series I Warrants with expiry date of December 27, 2015 expired on March 27, 2016. The modification of warrants did not result in a material increase in fair value on the date of modification.

The estimated fair value of warrants granted during the nine months ended April 30, 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	75%- 111%
Expected life	0.02- 2 years
Risk-free interest rate	0.68%- 0.84%
Expected dividend yield	0%

The estimated fair value of warrants granted during the nine months ended July 31, 2016 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	85%- 189%
Expected life	1.5- 2 years
Risk-free interest rate	0.49%- 1.05%
Expected dividend yield	0%

As at April 30, 2017, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
June 2, 2017	\$0.070	969,500
August 31, 2017	\$0.070	400,000
October 14, 2017	\$0.060	3,333,334
February 26, 2018	\$0.050	4,680,933
February 26, 2018	\$0.350	22,857
March 9, 2018	\$0.050	2,680,123
March 9, 2018	\$0.035	133,143
March 12, 2018	\$0.070	3,964,922
May 8, 2018	\$0.220	3,829,355
May 18, 2018	\$0.220	12,807,940
May 24, 2018	\$0.220	1,597,483
October 18, 2018	\$0.150	1,000,000
November 8, 2018	\$0.150	552,884
November 18, 2018	\$0.150	1,933,462
November 24, 2018	\$0.150	285,270
		38,191,206

As at April 30, 2017, the weighted average exercise price of the warrants was \$0.145 (2016 - \$ 0.07) and the weighted average remaining contractual life of the warrants was 1.04 years (2016 – 1.01 years). For the nine months ended, April 30, 2017, the weighted average exercise price of the warrants exercised was \$0.068.

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15. Non-controlling Interest

The Company's 51% interest in Eglinton Medicinal Advisory Ltd. is consolidated into the Company's condensed consolidated interim financial statements. The 49% interest attributable to a minority shareholder is presented as "non-controlling interest" within shareholders' equity on the condensed consolidated statements of financial position. Net loss and comprehensive loss is allocated between the Company's 51% ownership and non-controlling 49% ownership interest. For the nine months ended April 30, 2017, the Company recorded \$Nil (2016 - \$153) of the subsidiary's net loss and comprehensive loss related to the non-controlling interest.

16. 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 nine months ended April 30, 2017, the Company:

- a. Incurred professional fees of \$90,300 (2016 - \$54,000) from Branson Corporate Services, a company in which a company with a related director has a 49% interest.
- b. Incurred consulting fees of \$144,000 (2016 - \$144,000) from FMI Capital Advisory Inc., a company with a related director.
- c. Incurred professional fees of \$165,240 (2016 - \$27,500) from Fogler Rubinoff, LLP, a law firm in which a director of the Company is a partner.
- d. Incurred interest of \$3,228 (2016 - \$13,512) under the subordinate convertible debentures (Note 11).
- e. Incurred management compensation to key management and directors of \$235,494 (2016 - \$156,504) in cash and \$371,906 (2016 - \$129,197) in stock based payments.

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

On January 30, 2017, the Company entered into an IP assignment and option agreement with a director to acquire a dispenser for viscous liquid substance (the "Dab Stick"). The Company has one common director and two common officers with Lakeside Minerals Inc (Note 22).

See also Notes 11, 13, 22 and 23a.

17. 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 nine months ended April 30, 2017. 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, shares to be issued, reserve for warrants, reserve for share based payments, reserve for foreign currency translation, equity component of convertible debentures, non-controlling interest, and deficit, which as at April 30, 2017 totaled \$8,395,640.

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17. Management of Capital (continued)

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, initial public offering and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

18. 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 and short-term investment as fair value through profit and loss, which is measured at fair value and is classified as Level 1. The Company designated its derivative liability from convertible debentures as fair value through profit and loss which is measured at fair value and classified as level 2.

The recorded value of the Company's accounts receivable, amounts due from Palo Verde LLC, accounts payable and accrued liabilities, lease obligation, promissory note payable and convertible debentures (except for derivative liability which is recorded at fair value) approximate their fair value.

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, short-term investment, accounts receivable and amounts due from Palo Verde LLC including rental income receivable (Note 8). Collection of the amounts due from Palo Verde LLC is contingent on the success of Palo Verde LLC's operations. The Company has no significant concentration of credit risk arising from operations. Cash and short-term investment are held with a reputable Canadian credit union which is closely monitored by management. Accounts receivable consists mostly of harmonized sales tax due from the Canadian government. Management believes that the credit risk concentration with respect to financial instruments included in cash, short-term investments and other receivable is not material for the Company. Management has considered the credit risk concentration with respect to amounts due from Palo Verde LLC, and has provisioned for the balance accordingly.

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18. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2017, the Company had working capital of \$4,504,686 (2016 – deficiency of \$1,432,542), current assets of \$4,796,999 (2016 - \$299,115) and current liabilities of \$292,313 (2016 - \$1,731,657). All the Company's financial liabilities and receivables, excluding Amounts due from Palo Verde LLC (Note 8), lease obligation (Note 21) and promissory note payable (Note 10), have contractual maturities of less than 90 days and are subject to normal trade terms.

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
	\$	\$	\$	\$
As at July 31, 2016				
Accounts payable and accrued liabilities	1,029,164	-	-	-
Promissory note payable	1,165,648	313,600	296,968	305,643
Convertible debenture	153,205	-	-	-
	<u>2,348,018</u>	<u>313,600</u>	<u>296,968</u>	<u>305,643</u>

Foreign currency exchange risk

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

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

Interest rate risk

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

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

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

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

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19. Licensing and Royalty Agreements

Purple Haze

On June 5, 2015, the Company entered into the agreement with Purple Haze Properties LLC for the exclusive right to manufacture and distribute marijuana and hemp oil-infused products, and non-exclusive rights to manufacture and distribute certain apparel and accessories in the United States and Canada.

Under the terms of the agreement, the Company issued 3,333,334 common shares valued at US\$ 250,000 to pay for the annual exclusivity fee (US\$200,000) for the first out of five years and royalties US\$50,000 which was due on signing the agreement. The agreement provides for annual exclusivity fees and royalties of no less than US\$1,000,000 over five years with an additional renewal option for an additional five years. The agreement term commences the earlier of the first product sale or October 1, 2015, with minimum (US\$200,000 for the first year of license and US\$50,000 for first year of royalty) payable in cash or shares at the Company's option.

On March 7, 2016, the Company signed an addendum agreement with Purple Haze Properties LLC to allow for the 2016 payments of the Company's stock to occur on date of addendum. The Company issued 5,000,000 shares valued at \$200,000, of which \$160,000 pertains to license and \$40,000 pertains to prepaid royalty for the period from October 1, 2016 to September 30, 2017.

During the nine months ended April 30, 2017, \$133,309 of the license was amortized. The company has \$66,667 (2016 - \$201,652) of unamortized license and \$16,667 (2016 - \$50,408) prepaid expenses for the advance on royalty pertaining to the first two years of the five-year license and royalty agreement.

Henderson

On January 24, 2017, the Company entered into definitive agreement to acquire provisional cultivation and production licenses in Henderson, Nevada. As consideration for the acquisition of the licenses, the Company shall pay US\$1,000,000, US\$800,000 of which is payable in cash, and US\$200,000 of which, at the vendor's option, is payable in cash or by the issuance of 1,176,470 common shares of the Company at a deemed price of US\$0.17 per common share. As at April 30, 2017, the Company has advanced \$1,365,000 (US\$1,000,000) as a deposit in escrow which is included in Deposits (Note 6) on the condensed consolidated interim statements of financial position.

20. Investments

NHMD and SMHI

On August 23, 2016, the Company announced that the Company has received all required registration information and that NHMD is licensed to operate the Clinic Effingham dispensary in Effingham, Illinois ("TCE"). TCE commenced its operations in September 2016.

On September 17, 2016, ILDISP LLC (the "Purchaser") satisfied all the conditions to earn 50% interest in the Company's subsidiaries, NHMD and SMHI, as per the restated letter agreement dated April 4, 2016 (Note 16). Consequently, effective September 17, 2016, the Company lost control of NHMD and SMHI and recorded a gain on de-consolidation of \$1,066,901.

The Company and the Purchaser have agreed that working capital requirements shall be funded 50% by the Company and 50% by the Purchaser. After September 17, 2016, the Company advanced a total of \$172,914 to NHMD and SMHI.

During the nine months ended April 30, 2017, the Company recorded loss from NHMD and SMHI of \$49,844 (2016 - \$Nil).

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20. Investments (continued)

The following table summarized the financial information of NHMD and SMHI as at April 30, 2017:

	NHMD	SMHI
	US\$	US\$
Cash	126,441	-
Current assets	86,845	-
Non-current assets	317,712	-
Current liabilities	123,441	144,377
Non-current liabilities	432,684	54,594
Revenue for the period*	610,845	-
Loss for the period*	73,474	1,762

* From September 17, 2016 to April 30, 2017.

Aura

On November 14, 2016, Aura Health Corp. issued a promissory note of US\$120,000 to the Company, bearing interest at 12% per annum, maturing 24 months from the date of issue ("Maturity date"). At the option of the Company, on or after November 14, 2017 and prior to the Maturity date, the promissory note together with accrued and unpaid interest shall be convertible into Aura's units at the conversion price of \$0.05. Each Aura's unit comprised of one Aura's common share and one-half of Aura's warrant exercisable, until the earlier of 5 years from the date of issuance or 2 years from the date of listing of Aura's shares on the CSE, into one Aura's common share at the exercise price of \$0.075.

As consideration for the promissory note, Aura issued 4,000,000 common shares to the Company, representing 40% ownership interest in Aura. In December 2016, Aura closed a private placement which diluted the Company's ownership to 24% (Note 23a). Aura is engaged in the development and acquisition of medical marijuana certification clinics in the United States. The medical health clinics test prospective patients and issue medical-use certificates to qualified patients in the United States. Aura Health Corp. was incorporated on November 08, 2016 under the laws of the Province of Ontario, Canada.

During the nine months ended April 30, 2017, the Company recorded loss from Aura of \$89,869 (2016 - \$Nil).

21. Lease Obligation

On February 15, 2017, the Company entered into a capital equipment lease agreement in relation to equipment at Pueblo facility (Note 7). The Company paid \$23,453 (US\$17,700) as set up and crating fees and obligated to pay \$6,327 (US\$4,635) per month for 30 months.

Future minimum lease payable are as follows:

	\$
Less than 1 year	75,921
1-2 years	75,921
2-3 years	22,144
	173,986

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22. Commitments

Henderson

On January 24, 2017, the Company entered into an agreement to acquire a real estate property in Henderson, Nevada of which the Henderson licenses (Note 19) are attached to. On February 17, 2017, the Company advanced \$218,400 (US\$160,000) as a deposit in escrow (Note 6). The total purchase price of the property is US\$1.6 million.

On April 17, 2017, the terms on the agreement were amended as follows:

- The closing date is extended to on or before June 30, 2017 and the Company paid an extension fee of \$39,750 (US\$30,000) ("First Extension Period Payment"). The Company has the option to further extend the closing date to on or before October 1, 2017, for an additional extension fee of US\$30,000 ("Second Extension Period payment); and
- The purchase price:
 - a. US\$1.6 million remain if the acquisition closes on or before September 29, 2017; or
 - b. US\$1.75 million if the acquisition closes on or after September 30, 2017; and
 - c. Less a credit equal to seventy-five percent (75%) of amounts paid for the First Extension Period Payment and the Second Extension Period Payment, if any.

On March 10, 2017, the Company entered into an agreement to acquire another real estate property in Henderson, Nevada. On March 14, 2017, the Company paid \$136,500 (US\$100,000) as a deposit. The purchase price of the property is US\$2,310,000.

Lakeside Minerals Inc.

On February 22, 2017, the Company and Lakeside Minerals Inc. ("Lakeside") entered a Letter of Intent whereby Lakeside will build medical and adult use cannabis cultivation facilities in Henderson, Nevada ("Proposed Transaction").

As a part of the Proposed Transaction, Lakeside will enter into the following arrangements with the Company:

- (i) Nutritional High will assign to Lakeside its right to acquire a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health (the "Nevada Cultivation License") (Note 19) for a payment of US\$500,000; and
- (ii) Lakeside will form a joint venture company with Nutritional High for the purposes of acquiring and holding a real property located in Henderson, Nevada ("Henderson Property") to be licensed for the operation of a medical marijuana cultivation facility (the "Nevada JV");
- (iii) Nutritional High will lease to Lakeside, land and a building in Pueblo, Colorado ("Pueblo Facility") which qualify for marijuana cultivation. Lakeside will sublease the Pueblo Facility to Palo Verde, LLC ("Palo Verde"), a party which has applied to renew a cultivation license in Colorado respecting the Pueblo Facility.

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22. Commitments (continued)

Dab Stick

On January 30, 2017, the Company entered into an IP assignment and option agreement to acquire a dispenser for viscous liquid substances (the “Dab Stick”) and the technology and the intellectual property and rights for the purpose of allowing the Company to make, have made, use, sell and market products using such technology and intellectual property rights.

As consideration, the Company shall issue common shares to the vendors, one of whom is a director of the Company, as follows:

- (i) Upon confirmation, to the Company’s satisfaction, that the Dab Stick product satisfactorily functions for its intended purpose. The Company shall issue an aggregate of 416,667 common shares at a deemed price of \$0.24 per share;
- (ii) Upon the commercial sale at fair market value of the first 100 Dab Stick products, an aggregate of \$100,000 worth of common shares;
- (iii) Upon the commercial sale at fair market value of the next 500 Dab Stick products, an aggregate of \$100,000 worth of common shares; and
- (iv) Upon the grant of a patent by the United States Patent and Trademark Office (“USPTO”) for a provisional patent application filed in October 2016, an aggregate of \$200,000 worth of common shares. Should the vendors fail to advance the application which results in application going abandoned, the \$200,000 worth of common shares shall become due on the date of abandonment.

As at April 30, 2017, the Dab Stick was still in development phase and the Company has not paid any consideration to the vendors.

23. Subsequent events

- a. On May 1, 2017, the Company transferred 1,000,000 shares of Aura to a director of the Company as a bonus, reducing the Company’s ownership in Aura to 18%.
- b. On June 5, 2017, the Company closed a financing arrangement secured against its real estate property in La Pine, Oregon (Note 7(iii)) in the amount of US\$400,000 in the form of a promissory note (“the Note”) which has an eighteen-month term bearing interest at 13% per annum payable monthly. As part of the agreement, the Company issued 1,217,391 warrants with exercise price of \$0.165 and expiry date of June 6, 2019 to Veteran Capital Fund II, LP (“the Lender”). The loan is due in full on December 31, 2018 with option to extend for six months provided that:
 - (i) The Company completed the build out and initial commencement of marijuana revenue from La Pine;
 - (ii) The Company is in compliance with the Note;
 - (iii) The Company has provided a written notice expressing a desire to initiate their 6 month extension option and have provided an internal financial statement showing the revenue from La Pine’s facility (“La Pine’s financials”); and
 - (iv) The Lender raises no objection within five business days after La Pine’s financials have been submitted.