Nutritional High International Inc.

Condensed interim consolidated Financial Statements
For the three and six months ended January 31, 2018 and 2017

(Unaudited, expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed an audit or review of these condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

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

	Notes	**January 31, 2018**	July 31, 2017
		$	**$**
		(Unaudited)	(Audited)
Assets			
Current			
Cash		**3,569,342**	1,924,736
Accounts receivable	3, 19	**251,001**	90,479
Prepaids		**227,571**	121,928
Promissory note receivable	4	**122,542**	-
Deposits	5	**307,324**	1,822,810
Investments	7	**840**	840
		4,478,620	3,960,793
Non-current assets			
Debenture receivable	6	**100,000**	100,000
Amounts due from Palo Verde LLC	8	**251,207**	459,172
Amounts due from Mr. Baker Greeneries LLC	24	**50,661**	-
Investment properties	9	**1,435,082**	1,424,099
Investments in associate and joint ventures	10	**624,410**	931,484
Intangible assets	11, 19	**95,287**	43,751
Capital assets	12	**1,502,957**	1,211,282
		8,538,224	8,130,581
Liabilities			
Current			
Accounts payable and accrued liabilities	19	**834,790**	585,693
Promissory note payable	13	**1,395,017**	907,698
Finance lease	14	**55,606**	75,921
		2,285,413	1,569,312
Non-current liabilities			
Promissory note payable	13	**-**	420,042
Finance lease	14	**37,519**	87,413
		2,322,932	2,076,767
Shareholders' Equity			
Share capital	16	**17,075,876**	12,218,693
Shares to be issued	19	**70,943**	52,500
Reserve for share-based payments	17	**1,394,409**	1,357,328
Reserve for warrants	18	**1,190,582**	2,447,639
Reserve for foreign currency translation		**127,397**	47,541
Non-controlling interest	20	**(14,750)**	(14,750)
Accumulated deficit		**(13,629,165)**	(10,055,137)
		6,215,292	6,053,814
		8,538,224	8,130,581

Nature of Operations and Going concern (Note 1)
Commitments (Note 24)
Subsequent Events (Note 26)

Approved on behalf of the Board:

"Adam Szweras" Director *"Andres Tinajero"* Director

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

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

		Three months ended		Six months ended	
		January 31, 2018	January 31, 2017	**January 31, 2018**	January 31, 2017
	Note	**$**	$	**$**	$
Revenue					
Interest	8	**34,098**	42,652	**100,417**	73,674
License	24	**3,312**	-	**3,312**	-
Rental	8	**297,702**	129,907	**539,484**	257,790
		335,112	172,559	**643,213**	331,464
Expenses					
Management and consulting fees	19	**337,631**	200,120	**587,624**	416,545
Professional fees	19	**229,079**	61,727	**353,246**	145,156
Office and general		**474,550**	21,243	**602,920**	132,049
Acquisition and project evaluation costs		**264,447**	-	**400,053**	-
Share based payments	17	**73,295**	136,321	**188,331**	554,205
Amortization	9,12	**47,791**	53,583	**109,511**	123,741
Allowance for amounts receivable	8	**479,601**	144,738	**1,345,724**	180,808
		1,906,394	617,732	**3,587,409**	1,552,504
Net Loss before the undernoted		**(1,571,282)**	(445,173)	**(2,944,196)**	(1,221,040)
Foreign exchange loss		**(293,158)**	(36,453)	**(116,407)**	(8,675)
Change in fair value of derivative liability	15	**-**	(202,995)	**-**	(132,657)
Finance costs		**(114,292)**	(94,099)	**(208,233)**	(126,474)
Gain on share for debt settlement	16	**-**	132,657	**-**	132,657
Gain on de-consolidation		**-**	-	**-**	824,390
Impairment of a joint venture	10	**-**	-	**(340,300)**	-
Net gain from deconsolidation of subsidiaries and (gain) loss from investments in associate and joint ventures	10	**47,014**	(65,036)	**35,108**	(96,794)
Net Loss		**(1,931,718)**	(711,099)	**(3,574,028)**	(628,593)
Other comprehensive loss					
Exchange differences on translating foreign operations		**113,791**	(5,125)	**79,856**	(13,557)
Net loss and comprehensive loss		**(1,817,927)**	(716,224)	**(3,494,172)**	(642,150)
Net loss attributable to non-controlling interest	20		-	**-**	-
Net loss attributable to parent company		**(1,931,718)**	(711,099)	**(3,574,028)**	(628,593)
		(1,931,718)	(711,099)	**(3,574,028)**	(628,593)
Net loss and comprehensive loss attributable to non-controlling interest	20	**-**	-	**-**	-
Net loss and comprehensive loss attributable to parent company		**(1,817,927)**	(716,224)	**(3,494,172)**	(642,150)
		(1,817,927)	(716,224)	**(3,494,172)**	(642,150)
Weighted average number of shares outstanding					
Basic and diluted		**257,016,645**	220,274,416	**254,108,523**	196,709,213
Loss per share					
Basic and diluted		**$ (0.008)**	(0.003)	**$ (0.014)**	(0.003)

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

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

	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, 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 16)	5,149,710	-	-	1,605,423	-	-	-	6,755,133	-	6,755,133
Shares issued on exercise of warrants (Note 18)	2,426,378	-	-	(646,758)	-	-	-	1,779,620	-	1,779,620
Shares issued on exercise of options (Note 17)	506,664	-	(148,839)	-	-	-	-	357,825	-	357,825
Shares issued pursuant to debenture agreement (Note 15)	313,707	-	-	-	-	-	-	313,707	-	313,707
Shares to be issued (Note 19)	-	37,500	-	-	-	-	-	37,500	-	37,500
Issued for non-cash consideration:										
Issued for debt settlements	249,402	(63,390)	-	61,078	-	-	-	247,090	-	247,090
Share based payments (Note 17)	-	-	554,205	-	-	-	-	554,205	-	554,205
Conversion component of convertible debenture	-	-	-	-	-	(167,260)	-	(167,260)	-	(167,260)
Share issue costs	(1,064,925)	-	-	-	-	-	-	(1,064,925)	-	(1,064,925)
Exchanged gain on translating foreign operation	-	-	-	-	(13,557)	-	-	(13,557)	-	(13,557)
Net loss for period	-	-	-	-	-	-	(628,593)	(628,593)	-	(628,593)
Balance at January 31, 2017	**$ 11,649,365**	**$ 37,500**	**$ 776,618**	**$ 1,798,401**	**$ (23,229)**	**$ -**	**$ (5,677,655)**	**$ 8,561,000**	**$ (14,750)**	**$ 8,546,250**
Balance at July 31, 2017	**12,218,693**	**52,500**	**1,357,328**	**2,447,639**	**47,541**	**-**	**(10,055,137)**	**6,068,564**	**(14,750)**	**6,053,814**
Share based payments (Note 17)	-	-	188,331	-	-	-	-	188,331	-	188,331
Shares issued on exercise of warrants (Note 18)	4,303,608	-	-	(1,257,057)	-	-	-	3,046,551	-	3,046,551
Shares issued on exercise of options (Note 17)	396,075	-	(151,250)	-	-	-	-	244,825	-	244,825
Shares to be issued	-	18,443	-	-	-	-	-	18,443	-	18,443
Shares issued for service (Note 16)	157,500	-	-	-	-	-	-	157,500	-	157,500
Foreign exchange translation	-	-	-	-	79,856	-	-	79,856	-	79,856
Net loss for the period	-	-	-	-	-	-	(3,574,028)	(3,574,028)	-	(3,574,028)
Balance at January 31, 2018	**$ 17,075,876**	**$ 70,943**	**$ 1,394,409**	**$ 1,190,582**	**$ 127,397**	**$ -**	**$ (13,629,165)**	**$ 6,230,042**	**$ (14,750)**	**$ 6,215,292**

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

Nutritional High International Inc.
Condensed Interim Consolidated Statement of Cash Flows
For the six months ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	**2018**	2017
		$	$
OPERATING ACTIVITIES			
Net Loss		**(3,574,029)**	(628,593)
Items not affecting cash			
Amortization	9 & 12	**109,283**	123,741
Impairment of a joint venture		**340,300**	
(Gain) Loss from investments	10	**(35,108)**	96,794
Accretion and finance costs		**90,317**	78,144
Gain on deconsolidation	10 & 15	**-**	(824,390)
Gain on share for debt settlement	15 & 16	**-**	(132,657)
Shares issued for services	16	**157,500**	7,500
Share based payments	17	**188,331**	554,205
Allowance for amounts receivable		**1,345,724**	180,808
Change in the fair value of derivative liability		**-**	132,657
Net change in non-cash working capital:			
Accounts receivable		**(160,522)**	(11,283)
Promissory note receivable		**(122,542)**	-
Prepaids		**(105,643)**	37,515
Amounts due from Mt. Baker Greeneries LLC	24	**(50,661)**	-
Amounts due from Palo Verde LLC	8	**(740,405)**	(419,857)
Accounts payable and accrued liabilities		**249,096**	(418,454)
Cash Flow Used in Operating Activities		**(2,308,358)**	(1,223,870)
INVESTING ACTIVITIES			
Amounts due from Palo Verde LLC	8	**(397,354)**	(147,507)
Deposits	5	**1,528,849**	(133,544)
Purchase of intangible assets	19	**(51,536)**	-
Purchase of investment property	9	**(87,849)**	(275,241)
Purchase of capital assets	12	**(336,599)**	(380,740)
Investment	10	**-**	(323,929)
Cash Flow Used in Investing Activities		**655,511**	(1,260,961)
FINANCING ACTIVITIES			
Issuance of share capital, net of share issue costs		**-**	5,708,304
Promissory note payable		**-**	266,760
Repayment of finance lease	14	**(70,209)**	-
Share issued on warrants exercised	18	**3,046,551**	1,779,620
Share issued on options exercised	17	**244,825**	357,825
Proceeds on shares to be issued		**18,443**	-
Cash Flow From Financing Activities		**3,239,610**	8,112,509
Net increase in cash		**1,586,764**	5,627,678
Effects of exchange rate changes on cash		**57,842**	101,401
Cash at beginning of period		**1,924,736**	111,786
Cash at end of period		**3,569,342**	5,840,865

Supplemental information (Note 25)

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

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 Unites 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 interim consolidated financial statements for the three and six months ended January 31, 2018 were approved by the Board of Directors on March 28, 2018

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 January 31, 2018, the Company had working capital of $2,193,207 (July 31, 2017 – $2,391,482), spent $2,308,358 (July 31, 2017 - $3,049,864) of cash for operating activities, had not yet achieved profitable operations, has accumulated losses of $13,629,165 (July 31, 2017 - $10,055,137) 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 condensed interim consolidated 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

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements should be read in conjunction with the Company's most recently issued audited financial statements which includes information necessary or useful to understanding the Company's business and financial statement presentation. These interim financial statements have been prepared based on the accounting policies and methods used in the preparation of the audited consolidated financial statements of the Company for the year ended July 31, 2017 with the following addition:

Revenue recognition
The Company recognizes license income based on the total revenue earned and reported by the third party for the respective reporting period. If the collection of royalties is doubtful, the income may not be recorded.

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.2 Basis of measurement

The condensed interim consolidated 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.

2.3 Basis of consolidation

The condensed interim consolidated 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 condensed interim 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 associate and joint ventures are listed below:

Subsidiary/Affiliate	Effective ownership January 31, 2018	Effective ownership July 31, 2017	Accounting method
NHII Holdings Ltd. ("NHHL"), formerly Nutritional High Ltd.	100%	100%	Consolidation
NHC IP Holdings Corp. ("NHCIP"), formerly NH Real Estate Holdings Ltd.	100%	100%	Consolidation
Nutritional High (Colorado) Inc. ("NHCI")	100%	100%	Consolidation
NH Properties Inc. ("NHPI")	100%	100%	Consolidation
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%	100%	Consolidation
NH (Oregon) Properties LLC ("NHOP")	100%	100%	Consolidation
NH Processing (Nevada) Inc. ("NHPN")	100%	100%	Consolidation
NH Operations LLC ("NHOC")	100%	100%	Consolidation
NH Nevada LLC ("NHNC")	100%	100%	Consolidation
Growco Nevada Inc. ("GNI")	100%	100%	Consolidation
NH (Pennsylvania) LLC ("NHPL")	100%	100%	Consolidation
NH Properties (Nevada) LLC ("NPNL")	100%	100%	Consolidation
Eastgate Property Holding LLC ("EPHC")	100%	100%	Consolidation
NH Processing (California) LLC ("NHPC")	100%	100%	Consolidation
NH Bellingham Property Holdings LLC ("NHBH")	100%	100%	Consolidation
NH Distribution California Inc. ("NHDC")	100%	0%	Consolidation
Eglinton Medicinal Advisory Ltd. ("EMAL")	51%	51%	Consolidation
NH Medical Dispensaries LLC ("NHMD"), formerly NH Medicinal Dispensaries Inc.	50%	50%	Equity
Small's Mill Holdings Inc. ("SMHI")	50%	50%	Equity
Aura Health Corp. ("Aura")	16%	16%	Equity

2. Basis of Presentation (continued)

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 interim consolidated financial statements. The functional currency of the remaining subsidiaries is US dollar.

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

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 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 condensed interim consolidated financial statements of the Company.

Pronouncements effective for annual periods beginning on or after January 1, 2018 that may have a material impact on the Company's financial statements:

- 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.

- 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. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required.

- 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.

- 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.

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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

- 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.

- IFRIC 23, Uncertainly over Income Tax Treatments was issued in June 2017. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption.

Earlier application is permitted for these pronouncements. The Company is assessing the potential impact of these new standards.

3. Accounts Receivable

The breakdown of the accounts receivable balance is as follows:

	January 31, 2018	July 31, 2017
	$	**$**
Harmonized Sales Tax ("HST") recoverable	**48,723**	27,863
License receivable	**3,312**	-
Other receivable	**198,966**	62,616
Balance	**251,001**	90,479

4. Promissory Note Receivable

The Company entered into a promissory note agreement with TKO Products, LLC ("TKO") on January 25, 2018 for $61,465 (US$50,000) with ten (10%) interest compounded monthly and secured by certain inventory, fixtures, personal property of TKO, and personal guaranty from TKO's shareholders.

For the period ended January 31, 2018, the Company advanced $61,077 (US$49,684) to an officer and director of the Company.

(Unaudited - Expressed in Canadian Dollars)

5. Deposits

	January 31, 2018	July 31, 2017
	$	$
License (i)	**-**	1,498,200
Property (ii)	**61,464**	324,610
Acquisition (ii)	**245,860**	324,610
Balance	**307,324**	1,822,810

(i) On January 24, 2017, the Company entered into a definitive agreement to acquire provisional cultivation and production licenses in Henderson, Nevada. In connection with the agreement, the Company deposited $1,229,300 (US$1,000,000) in escrow. The agreement was subsequently amended to extend the license and closing terms, and as consideration, $61,465 (US$50,000) deposit became non-refundable. The agreement was terminated on November 9, 2017 and $1,167,835 (US$950,000) was refunded in December 2017.

On March 17, 2017, the Company paid a total of $258,153 (US$210,000) as initial permit application fees to grow and process medical marijuana in Pennsylvania, of which $245,860 (US$200,000) was refunded in October 2017 after the permit was not awarded to the Company.

(ii) 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 5 (i)) are attached to. The Company advanced $196,688 (US$160,000) as a deposit in escrow which agreement was terminated on November 11, 2017 and the entire deposit was refunded in December 2017.

On March 14, 2017, the Company paid $122,930 (US$100,000) as a deposit to purchase a real estate property in Nevada which agreement was terminated and deposit refunded in October 2017.

On August 21, 2017, the Company paid $24,586 (US$20,000) as a deposit to purchase a real estate property in Sacramento, California (Note 24). On January 23, 2018, the purchase agreement was extended to twelve months, and as consideration, the Company was required to pay an additional $36,879 (US$30,000) bringing the total deposit to $61,464 (US$50,000), which shall apply towards to purchase price but is non-refundable.

(iii) In connection with the asset purchase of Calyx Brands Inc. (Note 24), the Company advanced a total of $245,860 (US$200,000).

6. Debentures receivable

On May 12, 2017, the Company purchased 100 units from Lineage Grow Company Ltd.("Lineage") at a price of $1,000 per unit for an aggregate price of $100,000. Each unit consists of $1,000 in principal amount of secured convertible debentures and 4,000 warrants ("Lineage warrants").

The debentures bear interest at 12%, mature in 24 months from the date of purchase and are convertible into common shares of Lineage at any time prior to maturity date at a price equal to $0.25 per share ("Conversion Price"). Interest is payable semi-annually in advance in cash, or at the election of Lineage, in shares at price of $0.25 per share. The Conversion Price is subject to adjustments for certain events.

Each Lineage warrant is exercisable into one common share of Lineage at a price of $0.325 ("Exercise price") with expiry date of May 12, 2019. If Lineage completes an equity financing at any time at an Equity Financing Price of less than $0.25 per share, the Exercise Price shall be adjusted to a price equal to such Equity Financing Price.

On the Date of Issue, the Company received 24,000 common shares of Lineage valued at $840 as the payment for the first six months of interest on convertible debentures.

(Unaudited - Expressed in Canadian Dollars)

6. Debentures receivable (continued)

On January 29, 2018, Lineage completed its first tranche of private placement of units for $0.25 per unit. Each unit consists of one (1) common share and one (1) common share purchase warrant with an exercise price of $0.325 per common shares, exercisable for a 24-month period until January 24, 2020. Pursuant to the debenture agreement, the Conversion Price was adjusted to $0.20.

7. Investments

The Company's investments are comprised of the following:

	January 31, 2018	July 31, 2017
FVTPL	**$**	$
Lineage Grow Company Ltd.		
24,000 Shares	**840**	840
400,000 Warrants	**-**	-
Balance	**840**	840

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.

	January 31, 2018	July 31, 2017
	$	$
Lease receivable(i)	**1,945,285**	1,532,721
Revolving loan receivable(ii)	**1,255,897**	823,044
Other receivable (iii)	**271,954**	-
	3,473,136	2,355,765
Provision on amounts receivable(iv)	**(3,221,929)**	(1,896,593)
Balance	**251,207**	459,172

(i) Lease receivable is generated from the Pueblo property, including recoverable expenses related to Pueblo property, and equipment in Colorado (Notes 8 & 12). Lease receivable was deferred and includes accrued interest at 12% per annum up to April 18, 2017. The lease receivable was due 30 days after the commencement of production of marijuana products by Palo Verde, of which the balance remains outstanding as of January 31, 2018. On April 18, 2017, the lease agreement was amended and extended to April 17, 2027 and included the lease equipment of $18,398 per month for one year with the option to extend. Under the new term, the lease receivable was further deferred until Palo Verde attains gross sales of US$125,000 per month for a period of three consecutive months ("gross sales targets"); 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 January 31, 2018, this has not been triggered.

(ii) The revolving loan agreement is unsecured, bears interest at 12% per annum, 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 and was due on September 30, 2016 ("the Maturity date"). The maturity date was deferred to February 28, 2017 on September 1, 2016 and further to May 31, 2018 on February 28, 2017.

Revolving loan of $1,135,681 (US$923,844) (July 31, 2017 – $758,910 (US$607,857)) and accrued interest of $120,216 (US$97,792) (July 31, 2017 – $64,134 (US$51,369)) were receivable as at January 31, 2018.

(Unaudited - Expressed in Canadian Dollars)

8. Amounts due from Palo Verde LLC (continued)

(iii) Other receivable consists of recoverable expenses related to the proprietary packaging materials for Palo Verde.

(iv) An allowance was recorded for January 31, 2018 and 2017 on account of the uncertainties surrounding recoverability of the loan, lease and other receivable in respect of timing and unexpected financing delays. During the six months ended January 31, 2018, the Company recorded an impairment on lease and other receivable of $616,381 (2017 - $180,808) and an impairment of revolving loan receivable of $729,343 (2017 - $Nil).

Subject to meeting gross sales targets (Note 8), future minimum lease payments receivable on the investment property are as follows:

	$
Less than 1 year	**679,888**
1-2 years	**521,190**
2-3 years	**479,427**
3-4 years	**479,427**
4-5 years	**479,427**
5 years and over	**2,017,589**
	4,656,948

9. Investment properties

	Land	Building	Leasehold Improvement	Total
	$	$	$	$
Balance at July 31, 2016	**221,584**	**1,406,662**	**273,908**	**1,902,154**
Additions	-	-	293,082	293,082
De-consolidated (Note 10)	(7,242)	(39,022)	(125,700)	(171,964)
Effect of movement in exchange rates	(6,177)	(36,774)	(23,118)	(66,070)
Balance at July 31, 2017	**208,165**	**1,330,866**	**418,171**	**1,957,202**
Additions	-	-	87,849	87,849
Effect of movement in exchange rates	(2,400)	(14,592)	(10,487)	(27,479)
Balance at January 31, 2018	**205,765**	**1,316,274**	**495,533**	**2,017,572**

Accumulated Amortization and Accumulated impairment	Land	Building	Leasehold Improvement	Total
	$	$	$	$
Balance at July 31, 2016	**51,424**	**444,917**	**-**	**496,341**
Amortization	-	35,715	-	35,715
Effect of movement in exchange rates	678	369	-	1,047
Balance at July 31, 2017	**52,102**	**481,001**	**-**	**533,103**
Amortization	-	17,136	34,711	51,848
Effect of movement in exchange rates	-	(2,061)	(401)	(2,462)
Balance at January 31, 2018	**52,102**	**496,075**	**34,311**	**582,489**

(Unaudited - Expressed in Canadian Dollars)

9. Investment properties (continued)

Carrying Amounts	Land	Building	Leasehold Improvement	Total
	$	**$**	**$**	**$**
Balance at July 31, 2016	170,160	961,745	273,908	1,405,813
Balance at July 31, 2017	156,063	849,865	418,171	1,424,099
Balance at January, 2018	**153,663**	**820,198**	**461,222**	**1,435,082**

(i) The Pueblo property is located in Pueblo West, Colorado ("Pueblo") and is leased to Palo Verde LLC (Note 8). The fair value of the Pueblo West investment property as at January 31, 2018 and 2017 exceeds the carrying value.

(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. 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 10) from the consolidated statement of financial position.

10. Investments in associate and joint ventures

NHMD and SMHI

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") fund the first four months of working capital to earn 50% interest in each NHMD and SMHI.

On September 17, 2016, ILDISP LLC satisfied all the conditions to earn 50% interest and equal control in NHMD and SMHI. Consequently, effective September 17, 2016, NHMD and SMHI are accounted for as joint ventures. The Company obtained the approval from IDFPR to operate the Clinic Effingham dispensary in Effingham, Illinois ("TCE") on August 23, 2016 and commenced its operation in September 2016.

The Company and ILDISP LLC have determined and taken steps to wind up SMHI and consequently, the Company identified this as an impairment indicator and wrote off its investments in SMHI to $Nil.

During the six months ended January 31, 2018, the Company recorded profit from NHMD of $99,580 (2017 – loss of $52,019) and loss from SMHI of $Nil (2017 - $9,504).

As of January 31, 2018, the carrying value of the Company's investments in NHMD and SMHI were $624,410 (July 31, 2017 - $538,950) and $Nil (July 31, 2017 - $336,296), respectively.

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.

(Unaudited - Expressed in Canadian Dollars)

10. Investments in associate and joint ventures (continued)

In December 2016, Aura closed a private placement which diluted the Company's ownership to approximately 24% and resulted in a gain on dilution of $102,312. The Company's ownership was further reduced to approximately 16% when the Company transferred 1,000,000 shares of Aura to a director of the Company as a bonus, and 289,293 shares to FMI Capital Advisory Inc.as consulting fee on May 1, 2017.

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.

During the six months ended January 31, 2018, the Company recorded loss from Aura of $62,402 (2017 - $44,775) and the carrying value of the Company's investment in Aura as of January 31, 2018, was $Nil (July 31, 2017 - $56,238).

The following table summarized the financial information of the associate and joint ventures as at January 31, 2018:

	NHMD	**SMHI**	**Aura**
	$	$	$
Cash	215,652	-	499,398
Current assets	166,366	-	56,271
Non-current assets	428,074	-	415,618
Current liabilities	144,263	244,900	444,874
Non-current liabilities	642,242	140,720	918,680
Revenue for the period*	1,457,875	-	-
Profit (loss) for the period*	199,159	(152)	(389,727)

** For the six months ended January 31, 2018 for NHMD and SMHI and the five months ended December 31, 2017 for Aura.*

11. Intangible assets

Purple Haze

On June 5, 2015, the Company entered into the agreement with Purple Haze Properties LLC ("PHP") 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 ("Licensing Agreement").

The agreement provides for annual exclusivity fees and royalties ("annual fees") of no less than US$1,000,000 over five years (US$200,000 for license and US$50,000 for royalty per year) with an additional renewal option for an additional five years.

The Company was informed by PHP that a complaint was filed with the United States District Court, Southern District of New York ("Complaint") alleging that PHP and parties related to PHP attempted to improperly exploit the intellectual property rights contained in the Licensing Agreement and seeking equitable relief and damages. Due to the uncertainties on the outcome of the complaint, the Company had written the license and prepaid royalty down to $1 on July 31, 2017.

The Company has paid, in cash and shares, the first two years of the annual fees and has accrued the third annual fees for the period of October 1, 2017 to September 30, 2018 ("2017 annual fees").

11. Intangible assets (continued)

On January 25, 2018, the parties entered into a license agreement addendum ("Addendum") whereby, the 2017 and 2018 annual fees are to be satisfied through the payment of $325,764 (US$265,000) in cash and issuance of 750,000 shares of the Company, respectively. As per the terms of the addendum, one-half (50%) of all shares issuances and 100% of monetary royalties shall be placed in a litigation escrow account ("Escrow account") for contingencies until the sum of $2,458,600 (US$2,000,000) is reached. The addendum also includes two one-year options to extend the Licensing Agreement at the Company's sole discretion.

As of January 31, 2018, no actions have been brought against the Company in relation to the Licensing Agreement with PHP.

During the six months ended January 31, 2018, the Company amortized $Nil (2017 - $94,959) of the license, and $Nil (2017 - $26,666) prepaid expenses for the advance on royalty pertaining to the first two years of the five-year term.

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.

In July 2017, the Company successfully tested a prototype version of the Dab stick, and therefore, the first milestone was met pursuant to the agreement. On July 14, 2017, the Company issued 416,667 common shares to the vendors valued at $43,751, which was determined based on the share price on the date of issuance.

(Unaudited - Expressed in Canadian Dollars)

12. Capital Assets

	Land	Building	Leasehold Improvements	Computer and software	Equipment	Total
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance at July 31, 2016	-	-	96,679	10,917	80,854	188,450
Additions	221,929	347,121	81,761	12,556	705,242	1,368,609
De-consolidated (Note 10)	-	-	(159,119)	(21,163)	-	(180,282)
Effect of movement in exchange rates	(18,837)	(29,464)	805	186	(51,337)	(98,647)
Balance at July 31, 2017	**203,092**	**317,657**	**20,126**	**2,496**	**734,759**	**1,278,130**
Additions	-	-	323,623	-	44,466	368,089
Effect of movement in exchange rates	(3,123)	(4,885)	(1,034)	(38)	(12,202)	(21,282)
Balance at January 31, 2018	**199,969**	**312,772**	**342,715**	**2,458**	**767,023**	**1,624,937**

Accumulated Amortization	Land	Building	Leasehold Improvement	Computer and software	Equipment	Total
	$	**$**	**$**	**$**	**$**	**$**
Balance at July 31, 2016	-	-	704	538	337	1,579
Additions	-	-	1,783	2,094	69,187	73,064
De-consolidated (Note 10)	-	-	(2,505)	(2,270)	-	(4,775)
Effect of movement in exchange rates	-	-	18	1	(3,039)	(3,056)
Balance at July 31, 2017	-	-	-	**363**	**66,485**	**66,848**
Additions	-	-	-	331	57,104	57,435
Effect of movement in exchange rates	-	-	-	(13)	(2,290)	(2,303)
Balance at January 31, 2018	**-**	**-**	**-**	**681**	**121,299**	**121,980**

Carrying Amounts	Land	Building	Leasehold Improvement	Computer and software	Equipment	Total
	$	**$**	**$**	**$**	**$**	**$**
Balance at July 31, 2016	-	-	95,975	10,379	80,517	186,871
Balance at July 31, 2017	203,092	317,657	20,126	2,133	668,274	1,211,282
Balance at January 31, 2018	**199,969**	**312,772**	**342,715**	**1,777**	**645,724**	**1,502,957**

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 $490,491(US$399,000). The Company is completing the construction of the property and amortization will be taken once the construction is completed and ready for operation. The property is the security for the financing arrangement closed on June 5, 2017 (Note 13).

As at January 31, 2018, the equipment includes $157,567 (2017 - $234,370) of equipment subject to finance lease.

(Unaudited - Expressed in Canadian Dollars)

13. Promissory Note Payable

On November 4, 2015, the vendor of the Lawrenceville property in Illinois (Note 9) 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 and the Company lost control on SMHI. As a result, the promissory note payable was de-consolidated (Note 10).

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 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 an option to extend for up to twelve months provided that all conditions necessary for extension are satisfied.

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.

On June 5, 2017, the Company closed a financing arrangement secured against its real estate property in La Pine, Oregon (Note 12) in the amount of US$400,000 in the form of a promissory 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 valued at $48,000 to the lender. The loan is due on December 31, 2018 with option to extend for six months provided that all the conditions necessary for extension are satisfied.

	January 31, 2018	July 31, 2017
	$	$
Opening balance	**1,327,740**	1,004,999
Advances	**-**	795,120
Deferred financing costs	**-**	(211,180)
Deferred financing amortization	**90,317**	135,080
Repayment	**-**	(11,489)
De-consolidated on the joint venture (Note 10)	**-**	(322,079)
Effect of movement in exchange rates	**(23,040)**	(62,711)
	1,395,017	1,327,740
Current	**1,395,017**	907,698
Long-term	**-**	420,042

14. Finance lease

On February 15, 2017, the Company entered into a capital equipment lease agreement in relation to equipment at Pueblo facility (Note 12) for $5,698 (US$4,635) per month for 30 months, expiring August 15, 2019.

Future minimum lease payable are as follows:

	$
Less than 1 year	**68,374**
1-2 years	**39,885**
	108,259

15. 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. A total of $350,000 of the convertible debentures were converted into 5,833,334 common shares during the year ended July 31, 2016. The remaining $100,000 of convertible debt was pre-paid in full on April 27, 2016 as per amended agreement entered on December 21, 2015 with the holder of Senior Convertible debentures to provide for the pre-payment.

(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. 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 16).

For the three months ended October 31, 2016, the Company recorded a fair value adjustment gain on the convertible debentures of $70,338 and accretion expense of $5,047 as finance cost.

On April 4, 2016, the Company through its former 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.

On September 17, 2016, the Purchaser's contribution reached US$300,000, the total Initial Funding agreed upon, and the Purchaser IDFPR Application was approved. Consequently, the convertible note was converted, conditionally on IDFPR approval which is pending, into 100 NHMD shares and 100 SMHI, which represent 50% interest in each of NHMD and SMHI (Note 10).

(Unaudited - Expressed in Canadian Dollars)

16. Share Capital

	Number of Shares	Amount
Balance, July 31, 2016	142,192,514	$4,068,429
Issued on private placements, net of share issue costs (i)(ii)(v) (vi)(vii)	59,348,095	3,505,636
Issued on exercise of warrants (Note 18)	33,504,950	3,086,403
Issued on exercise of options (Note 17)	3,932,500	624,163
Issued for purchasing intangible asset (viii)	416,667	43,750
Issued for convertible debentures (iv)	2,934,830	313,707
Issued for debt settlements (iii)	8,870,844	576,605
Balance, July 31, 2017	**251,200,400**	**$12,218,693**
Issued on exercise of warrants	17,087,256	4,303,608
Issued for services (ix)	328,571	157,500
Issued on exercise of options	1,377,500	396,075
Balance, January 31, 2018	**269,993,727**	**$17,075,876**

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

(i) On August 26, 2016, 11,432,580 units were issued in the first tranche of a private placement at $0.035 per unit for 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.

(ii) 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 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.

(iii) 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.

(iv) 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 15).

16. Share Capital (continued)

(v) 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 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 611,897 finder's units valued at $218,000. 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.

(vi) 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 1,933,540 finder's units valued at $711,000. 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.

(vii) 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 312,128 finder's units valued at $97,000. 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.

(viii) On July 14, 2017, the Company issued 416,667 shares valued at $43,750 as the first instalment of an IP assignment and option agreement to acquire Dab Sticks (Note 11).

(ix) On January 17, 2018, the Company issued 178,571 shares valued at $75,000 as compensation for services where the fair value of the shares was determined based on the value of services received. The Company also issued 150,000 shares valued at $82,500 to an employee of the Company pursuant to an employment agreement, where the fair value of the shares was based on the share price on the date of issuance..

(Unaudited - Expressed in Canadian Dollars)

17. 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 26,999,373 at January 31, 2018.

	Number of Options		Amount
Balance, July 31, 2016	**11,240,000**	**$**	**371,252**
Granted (i)(ii)(iii)(iv)(v)(vi)(vii)(viii)	10,485,000		1,198,414
Exercised	(3,932,500)		(212,338)
Forfeited	(1,150,000)		-
Balance, July 31, 2017	**16,642,500**	**$**	**1,357,328**
Granted (ix)(x)	1,000,000		188,331
Exercised	(1,377,500)		(151,250)
Forfeited	(350,000)		-
Balance, January 31, 2018	**15,915,000**	**$**	**1,394,409**

(i) On October 14, 2016, the Company granted 170,000 stock options valued at $13,000 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.

(ii) On October 17, 2016, the Company granted 500,000 stock options valued at $77,797 to Boom Capital Partners Inc. a provider of Investor Relations and Public Relations services, and 2,450,000 stock options valued at $381,203 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.

(iii) On November 29, 2016, the Company granted 315,000 stock options valued at $50,000 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.

(iv) On February 8, 2017, 850,000 options valued at $95,000 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.

(v) On February 16, 2017, 500,000 options valued at $54,000 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. On May 9, 2017, the service agreement was terminated and consequently, all 500,000 options were cancelled immediately.

(vi) On April 17, 2017, 3,100,000 options valued at $388,000 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.

(vii) On April 17, 2017, 2,200,000 options valued at $275,000 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.

(viii) On July 10, 2017, 400,000 options valued at $43,000 were granted to a director of the Company. The options are exercisable to Common Share of the Company at a price of $0.12 per Common Share for a period of 5 years from the date of issuance. The options vest 25% immediately and 25% every 6 months thereafter.

(Unaudited - Expressed in Canadian Dollars)

17. Reserve for Share Based Payments (continued)

(ix) On October 30, 2017, 500,000 options valued at $58,000 were granted to a consultant of the Company. The options are exercisable to Common Shares of the Company at a price of $0.13 per Common Share for a period of 5 years from the date of issuance. A total of 150,000 options vest immediately, and the remaining 350,000 options shall vest every 6 months in equal amount over eighteen months.

(x) On January 17, 2018, 500,000 options valued at $246,733 were granted to an employee of the Company. The options are exercisable to Common Shares of the Company at a price of $0.58 per Common Share, vesting one-third per year over three years.

In connection to the options granted to consultants during the six months ended January 31, 2018 and year ended July 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 six months ended January 31, 2018 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	138% - 140%
Expected life	5 years
Risk-free interest rate	1.63 – 2.00 %
Expected dividend yield	0%
Forfeiture rate	0%

The estimated fair value of options granted during the year ended July 31, 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	104%- 165%
Expected life	2-5 years
Risk-free interest rate	0.61%- 1.58%
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.

(Unaudited - Expressed in Canadian Dollars)

17. Reserve for Share Based Payments (continued)

As at January 31, 2018, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
November 29, 2018	$0.300	315,000	315,000
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	233,333
April 21, 2021	$0.070	2,500,000	1,666,667
October 17, 2021	$0.135	1,900,000	1,900,000
April 17, 2022	$0.135	3,100,000	1,550,000
April 17, 2022	$0.135	2,000,000	2,000,000
July 10, 2022	$0.120	200,000	-
October 30, 2022	$0.130	500,000	150,000
January 17, 2023	$0.580	500,000	-
		15,915,000	**12,365,000**

As at January 31, 2018, the weighted average exercise price of the options exercisable was $0.116 (July 31, 2017 - $ 0.124). The weighted average exercise price of the options outstanding was $0.130 (July 31, 2017 - $0.121) and the weighted average remaining contractual life of the stock options was 3.28 years (July 31, 2017 – 3.59 years). For the six months ended January 31, 2018, the weighted average exercise price of the stock options exercised was $0.178 (2017 - $0.096).

18. Reserve for Warrants

The following table reflects the continuity of warrants:

	Number of Warrants	Amount
Balance, July 31, 2016	31,358,772	$ 778,658
Warrants pursuant to private placements (Note 16)	33,912,313	2,306,571
Warrants issued pursuant to debt settlement (Note 16)	4,435,422	131,000
Warrants issued pursuant to promissory note (Note 13)	2,217,391	150,000
Warrants expired	(667,400)	-
Warrants exercised	(33,504,950)	(918,590)
Balance, July 31, 2017	**37,751,548**	**$ 2,447,652**
Warrants issued	914,099	-
Warrants exercised	(17,087,256)	(1,257,057)
Balance, January 31, 2018	**21,578,391**	**1,190,596**

(Unaudited - Expressed in Canadian Dollars)

18. Reserve for Warrants (continued)

The estimated fair value of warrants granted during the year ended July 31, 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	94%- 111%
Expected life	1.5 - 2 years
Risk-free interest rate	0.68%- 0.70%
Expected dividend yield	0%

As at January 31, 2018, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
February 26, 2018	$0.050	3,094,862
February 26, 2018	$0.350	22,857
March 9, 2018	$0.050	1,096,722
March 9, 2018	$0.035	133,143
March 12, 2018	$0.070	3,186,337
May 8, 2018	$0.220	7,375,371
October 18, 2018	$0.060	3,333,334
October 18, 2018	$0.150	1,000,000
November 8, 2018	$0.150	1,089,373
November 18, 2018	$0.150	29,001
June 6, 2019	$0.165	1,217,391
		21,578,391

As at January 31, 2018, the weighted average exercise price of the warrants was $0.129 (July 31, 2017 - $ 0.149) and the weighted average remaining contractual life of the warrants was 0.38 years (July 31, 2017 – 0.85 years). For the six months ended January 31, 2018, the weighted average exercise price of the warrants exercised was $0.178 (2017 - $0.071).

19. 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 six months ended January 31, 2018, the Company:

a. Incurred professional fees of $72,000 (2017 - $47,300) from Branson Corporate Services, a company in which a company with a related director has a 49% interest. As at January 31, 2018, $Nil (July 31, 2017 - $Nil) was due from Branson Corporate Services.

b. Incurred consulting fees of $156,864 (2017 - $96,000) from FMI Capital Advisory Inc., a company with a related director. As at January 31, 2018, $18,080 (July 31, 2017 - $6,844) was due to FMI Capital Advisory Inc. and $6,327 (July 31, 2017 - $6,327) was due from FMI Capital Advisory Inc.

c. Incurred marketing expenses of $39,534 (2017 - $Nil) and software costs of $51,537 (2017 - $Nil) from Plexus Cybermedia Ltd, a company in which a director has a 33% interest. As at January 31, 2018, $28,237 was due to Plexus Cybermedia Ltd.

d. Incurred professional fees of $99,428 (2017 - $126,383) from Fogler Rubinoff, LLP, a law firm in which a director of the Company is a partner. As at January 31, 2018, $125,112 (July 31, 2017 - $Nil) was due to Fogler Rubinoff, LLP.

19. Related Parties and Key Management (continued)

e. Incurred interest of $Nil (2017 - $3,228) under the subordinate convertible debentures (Note 15).

f. Incurred management compensation to key management and directors of $207,885 (2017 – $72.583) in cash and $150,427 (2017 - $287,851) in stock-based payments. As at January 31, 2018, $67,460 (July 31, 2017 - $55,784) was due to officers and directors of the Company of which $52,500 is included in shares to be issued.

See also Notes 4, 10, 11 and 17.

20. Non-controlling Interest

The Company's 51% interest in Eglinton Medicinal Advisory Ltd. is condensed interim consolidated into the Company's condensed interim consolidated financial statements. The 49% interest attributable to a minority shareholder is presented as "non-controlling interest" within shareholders' equity on the condensed interim 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 six months ended January 31, 2018, the Company recorded $Nil (2017 - $Nil) of the subsidiary's net loss and comprehensive loss related to the non-controlling interest.

21. 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 six months ended January 31, 2018. 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 January 31, 2018 totaled $6,215,292 (July 31, 2017 - $6,053,814).

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.

22. 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 Company designated its investments as fair value through profit and loss, which is measured at fair value and is classified as Level 2.

The recorded value of the Company's accounts receivable, promissory note receivable, debenture receivable, amounts due from Palo Verde LLC, accounts payable and accrued liabilities, finance lease, and promissory note payable 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, accounts receivable, promissory note receivable, debenture receivable and amounts due from Palo Verde LLC including lease 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 other significant concentration of credit risk arising from operations. Cash are held with a reputable Canadian credit union which is closely monitored by management. Accounts receivable consists of harmonized sales tax due from the Canadian government and other receivable from third parties. Management has considered the credit risk concentration with respect to amounts due from Palo Verde LLC and other receivable and mitigated the risk by managing and monitoring the underlying the business relationships and when appropriate, has provisioned the balance accordingly.

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 January 31, 2018, the Company had working capital of $2,193,207 (July 31, 2017 – $2,391,482), current assets of $4,478,620 (July 31, 2017 - $3,960,793) and current liabilities of $2,285,413 (July 31, 2017 - $1,569,312). All the Company's financial liabilities and receivables, excluding amounts due from Palo Verde LLC (Note 8), finance lease (Note 14), and promissory note payable (Note 13), have contractual maturities of less than 90 days and are subject to normal trade terms.

23. Financial Instruments (continued)

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 $232,194 (July 31, 2017 - $170,200) 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 $4,995 (July 31, 2017 - $2,171) because of the Company's exposure to interest rate fluctuations.

24. Commitments

Property Acquisition

On August 4, 2017, the Company entered into a purchase and sale agreement to acquire a property in Sacramento, California ("Sacramento property") with a purchase price of $775,000. On January 23, 2018, the agreement was amended to extend to twelve months, and as consideration, the Company paid an additional deposit of $36,879 (US$30,000) bringing the total deposit to $61,465 (US$50,000) (Note 5), which shall apply towards to purchase price and non-refundable. In addition, the Company entered into a lease agreement with the seller for $6,000 per month for a period of 12 months.

Lineage Grow Company Ltd.

On February 22, 2017, the Company and Lineage Grow Company Ltd. ("Lineage") entered a Letter of Intent, whereby Lineage will build medical and adult use cannabis cultivation facilities in Henderson, Nevada ("Proposed Transaction Agreement"). As a part of the Proposed Transaction Agreement, Lineage was to enter into the following arrangements with the Company:

(i) Nutritional High to assign to Lineage 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) Lineage to 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 to lease to Lineage, land and a building in Pueblo, Colorado ("Pueblo Facility") which qualify for marijuana cultivation. Lineage to sublease the Pueblo Facility to Palo Verde, LLC, a party which has applied to renew a cultivation license in Colorado respecting the Pueblo Facility.

24. Commitments (continued)

Upon the execution of the formal agreement ("Definitive Agreement") between the Company and Lineage, Lineage will issue between 1,000,000 to 3,000,000 shares to the Company ("Lineage Shares"). The Proposed Transaction Agreement may be terminated if certain conditions are not satisfied by June 30, 2017 ("Drop Dead Date").

On June 29, 2017, the Proposed Transaction Agreement was amended to extend the Drop Dead Date to November 30, 2017 and increase the Lineage Shares to 1,750,000 to be issued on the completion of the closing of the Proposed Transaction.

Subsequent to January 31, 2018, the Company and Lineage finalized the definitive agreement (Note 26).

Abba Medix Corp.

On October 11, 2017, the Company entered into an Outline Agreement ("the Agreement") with Canada House Wellness Group Inc.'s wholly owned subsidiary, Abba Medix Corp. ("Abba") to create a joint venture ("Joint Venture") to manufacture cannabis oil extracts and cannabis-infused products in Canada under the Access to Cannabis for Medical Purposes Regulations (Canada) ("ACMPR"). On November 7, 2017, the parties amended the Agreement as binding.

The Joint Venture will focus on two main product lines: (i) a line of products offered exclusively to existing Abba patients; and (ii) a line of FLI-branded products that will be offered to eligible patients across Canada and to the adult-use market, when permitted by regulation. The terms of the Joint Venture are as follows:

- Abba will lease the space required to the Joint Venture at the rate per square foot at which Abba is currently leasing its Pickering facility;
- Abba will suggest a limited menu of products (e.g. oil tinctures and capsules) which will be manufactured by the Joint Venture for Abba medical patients on an exclusive basis;
- The Company and the Joint Venture will enter into an exclusive licensing agreement whereby the Company will contribute its intellectual property relating to its FLI brand to the Joint Venture, for FLI branded products to be sold in Canada on an exclusive basis;
- The capital costs of agreed-upon build-out, the purchase of oil extract equipment, working capital, and upfront costs for establishing the Joint Venture shall be borne by the Company, which shall receive a priority return until repaid, after which, all profits of the Joint Venture will be shared equally.

Bellingham, Washington

On October 16, 2017, the Company, through its subsidiary, NH Bellingham Property Holdings LLC, entered into a commercial lease with option to purchase a tier two cannabis cultivation and processing facility ("Property") for a base rent of US$12,000 ("Base rent") per month. The lease commenced on October 1, 2017 expiring on September 30, 2020 with the option to renew for a two-year term ("Renewal Term").

For and in exchange for the sum of $72,000 ("Option fee"), which the Company paid on October 17, 2017, the Company has the sole and exclusive right to purchase the Property for US$1,200,000 ("Purchase price") on final day of the initial three-year term ("Option Date"). If the Company renews the lease for the Renewal Term, the Company may extend the Option Date to the final day of the Renewal Term, for an additional $50,000 option fee ("Option Fee Extension").

24. Commitments (continued)

If the Company exercises the option to purchase the property, the following amounts will be credited to the Purchase Price:

(i) $50,000 of Option fee;
(ii) $6,000 of each months' Base Rent paid under the lease; and
(iii) $50,000 of Option Extension Fee.

On October 27, 2017, the Company, through its subsidiaries, entered the following agreements with Mt. Baker Greeneries LLC ("Mt. Baker"):

(i) Sub-lease agreement for base rent of US$10,000 per month effective October 7, 2017 expiring on September 30, 2020;

(ii) Equipment purchase and leaseback agreement whereby the Company bought certain equipment for US$25,350 from Mt. Baker and leased it back for a period of two years at US$1,181 per month; and

(iii) Equipment, technology, exclusive license, materials and packaging agreement expiring December 31, 2022, to supply certain materials and packaging, equipment and technology to Mt. Baker. In consideration for an exclusive license to use the technology, Mt. Baker shall pay $61,465 (US$50,000) no later than 18 months from the date of the agreement.

As of January 31, 2018, the Company had $50,661 (US$41,211) (2017 - $Nil) due from Mt. Baker.

Calyx Brands Inc.

On October 27, 2017, the Company entered into a non-binding letter of intent ("LOI") with Calyx Brands Inc. ("Calyx"), a California-based distributor actively engaged in distributing cannabis products to dispensaries in California, to acquire assets of Calyx ("Acquisition") for US$1,850,000 of which US$400,000 will be payable in the Company's shares ("Common Shares"), US$500,000 in cash, and six months after closing, payment of US$950,000 ("Post-Closing Consideration") in cash or the Common Shares at the discretion of Calyx. The Company also agreed to pay earn out payments, for a maximum of US$600,000 upon achieving certain revenue targets payable in a combination of cash and common shares. Finally, for a period of one-year following the Closing Date, the Company agreed to fund Calyx with US$800,000 in working capital and secured debt-financing for Calyx for up to US$2,000,000.

On November 27, 2017, the agreement was amended to include the following terms:
(i) The Common Shares issued to Calyx will be issued at a price that is lower of: (a) CAD$0.255; or (b) the price at which the Company's common shares trade on the Canadian Securities Exchange on the day that is three trading days prior to the closing date.
(ii) If the Calyx shareholders ("Sellers") elect to receive the Post-Closing Consideration in the Common Shares prior to the closing date, the Common Shares so issuable shall be issued at a price of CAD$0.255, and if the Sellers elect to receive Post-Closing Consideration in shares after the closing date, the Common Shares shall be issued at the price at which the Common Shares close on the Canadian Securities Exchange on the day that is three days prior to the date that is six (6) months after closing.

(Unaudited - Expressed in Canadian Dollars)

24. Commitments (continued)

Subsequent to January 31, 2018, the parties entered into an agreement for purchase and sale of assets ("APA") and completed the Aquisition (Note 26).

On December 1, 2018, the Company entered into a license agreement with Calyx to use the trademarks, service marks and tradenames of the Company's flagship brand which the Company will earn royalties based on the gross sales of products by Calyx.

TKO Products LLC

On November 14, 2017, the Company entered into a non-binding letter of intent ("LOI") with TKO Products LLC ("TKO") to purchase certain assets of TKO for US$3,025,000 and to pay earn out payments, for a maximum of US$4,000,000 upon achieving certain revenue targets payable in a combination of cash and common shares.

On December 28, 2017, the terms of the agreement were amended as follows:

(i) The Company will loan to TKO up to US$1,500,000 in working capital for a term of 1 year with 10% interest compounded monthly and secured by certain assets of TKO and a personal guarantee by TKO management. All loans will be offset against the Purchase Price due on closing;

(ii) On closing, the Company may exercise the Option to Purchase upon Seller having final confirmation of license approval in Long Beach, California and the Company waiving all customary contingencies.

As of January 31, 2018, the Company has advanced $61,465 (US$50,000) to TKO (Note 4).

25. Supplemental Information for condensed interim consolidated statements of cash flows

For the six months ended:	**January 31, 2018**	January 31, 2017
	$	$
Interest paid	**97,803**	56,478
Shares issued for services	**157,500**	-
Shares issued for settlement of debt	**-**	443,542

26. Subsequent events

Restated LOI and Put Option Agreement

On February 1, 2018 the company amended and restated LOI dated February 22, 2017, as amended on June 30, 2017 (Note 24), with Lineage Grow Company ("Lineage") as follows:

1. The proposed transactions set out in the Restated LOI will be structured such that the Company will assist Lineage to enter into a strategic partnership with Mt. Baker, in the State of Washington. Upon the completion of the Pueblo Joint Venture (as defined below), Lineage will issue to the Company 400,000 common shares of Lineage ("Lineage Shares") at $0.25 per share as partial consideration for introducing Mt. Baker to Lineage.

2. The proposed transactions will also include Lineage entering into a joint venture (the "Pueblo Joint Venture") with the Company and Palo Verde, LLC ("Palo Verde") by entering into a series of agreements with the Company and Palo Verde in connection with the expansion of the Company's marijuana facility located in Pueblo, Colorado, which is currently leased to Palo Verde, and the provision of loan facility and services by Lineage to Palo Verde. Upon the completion of the Pueblo Joint Venture, Lineage will issue to the Company 100,000 Lineage Shares at $0.25 per share as partial consideration for providing consulting services to Lineage in preparation for entering into the Pueblo Joint Venture. The target completion date for the proposed Pueblo Joint Venture have been postponed to December 31, 2018.

3. The Company will enter into a put option agreement (the "Put Option Agreement") to purchase up to $2.5 million of principal amount of Convertible Debentures of Lineage ("Convertible Debentures") issued in May 2017.

4. All sections of the LOI relating to the acquisition by Lineage of a Provisional Marijuana Cultivation License issued by the Nevada Division of Public and Behavioral Health and the acquisition of real property in Henderson, Nevada have been removed.

<u>Put Option agreement</u>

Pursuant to the Restated LOI, Nutritional High entered into a Put Option Agreement with KW Capital Partners Ltd. ("KW"), as agent for the holders of the Convertible Debentures, and Lineage, pursuant to which, in certain circumstances (set out below), Nutritional High would be obligated, at the election of KW, to purchase the Convertible Debentures at a price equal to the amount of all principal and accrued interest outstanding thereon. Nutritional High has agreed to enter into the Put Option Agreement in consideration for:

1. The issuance of 1,250,000 Lineage Shares at $0.25 per share to the Company;

2. $75,000 cash paid to the Company in the form of 5% royalty on all revenue of Lineage paid on an installment basis with the balance of any amount owing and not yet paid by October 16, 2019, to be paid in a lump sum; and

3. If Lineage acquires any dispensary in a state in which the Company's products are sold, Lineage shall purchase the Company's products to stock at least 20% of the dispensary's shelf space per product category at a price equal to the Company's best regular wholesale price to the Company's customers in the state, subject to availability of supply.

As of March 28, 2018, a total of $1.28 million of Convertible Debentures had been converted and thus, reducing the Company's obligation subject to Put Option Agreement to $1.22 million.

26. Subsequent events (continued)

Pursuant to the Put Option Agreement, the following circumstance would constitute default by Lineage under the Convertible Debenture:

1. Failure of Lineage to list the Lineage Shares on CSE by February 28, 2018;

2. The Lineage Shares trading at a price per share equal to less than 50% of the conversion price of the Convertible Debentures for 60 consecutive trading days after being listed on a stock exchange; or

3. Failure by Lineage to either acquire an operating marijuana business or assisting Mt. Baker in commencing marijuana cultivation operations by June 30, 2018.

Lineage received the final listing approval from CSE on February 28, 2018.

Calyx Brands Inc.

On February 8, 2018, the Company entered into an agreement for purchase and sale of assets ("APA") with Calyx Brands, Inc. The terms of the agreement remained unchanged as the LOI as described in Note 24.

On March 15, 2018, the Company completed the Acquisition and pursuant to the APA, upon closing, the Company paid $491,720 (US$400,000), issued 2,025,412 shares and issued a secured promissory note in the principal amount of $1,167,835 (US$950,000). The Company also paid a finder's fee of $113,710 (US$92,500) on closing.

Green Therapeutics, LLC

On March 5, 2018, the Company entered into a non-binding letter of intent ("LOI"), amended on March 12, 2018, to acquire 75% of the outstanding units of Green Therapeutics, LLC ("GT") for US$18,000,000 and also purchase certain lands and premises owned by Meridian Companies LLC ("Meridian"), a Nevada limited liability company, consisting of cultivation facilities and parcels of land for cultivation expansion utilized by GT.

The terms of the LOI comprise the following components:

(a) The Company would subscribe for 25% of the units of GT for the subscription price of US$6,000,000 ("the Subscription Price"). On closing, the Company would pay US$2,000,000 of the Subscription Price and the remaining US$4,000,000 in increments of US$2,000,000 on specific dates to be agreed upon on execution of a Definitive Agreement.

(b) The Company would purchase from the members of GT, 25% of the outstanding units of GT, in exchange for the Company's common shares (the "NH Shares") having a value of US$6,000,000. The number of NH Shares would be priced based on the lower of: (i) of CA$0.55 per NH Share, or (ii) the 20-day VWAP price of the Company on the CSE on the date immediately preceding (1) the date a Definitive Agreement is executed or (2) the date of the Closing, in each case of (i) or (ii) converted into US dollars based on the exchange rate on the date immediately preceding the date of Closing.

(c) The Company would purchase from the members of GT, 25% of the outstanding units of GT, in exchange for secured convertible promissory notes having an aggregate original principal amount of US$6,000,000 (the "Convertible Notes"). The Convertible Notes would bear interest at a rate of 7% per annum, compounding annually, with all principal and accrued interest due and payable on the date which is 12 months from the date of issuance (the "Maturity Date"). The Convertible Notes would be convertible at any time at the election of the holder up to the Maturity Date for common shares in the capital of the Company at a conversion price equal to a 20% premium to the Per Share Price. The Convertible Notes would be secured by units of GT owned by the Company and the Property. The Property would also secure the payment of the Subscription Price.

26. Subsequent events (continued)

Concurrent with the closing, the Company would purchase the Property from Meridian LLC for the sum of US$1,519,000.

Private placement

On March 15, 2018, the Company completed a private placement consisting of $8,000,000 aggregate principal amount of convertible debenture units (the "Convertible Debenture Units") at a price of $1,000 per Convertible Debenture Units.

Each Convertible Debenture Unit consists of $1,000 principal amount of 10.0% senior unsecured convertible debentures and 1,667 common share purchase warrants (the "Warrants") of the Company. Each Convertible Debenture is convertible into common shares of the Company ("Common Shares") at the option of the holder on the earlier of: (i) the last business day immediately preceding March 15, 2021, and (ii) the date fixed for redemption, at a conversion price of $0.60 per Common Share. Each warrant is exercisable to acquire one common share of the Company (a "Warrant Share") for a period of 36 months following the closing date at an exercise price of $0.70 per Warrant Share, subject to adjustment in certain events.

The Company paid the agents a cash fee representing 8% of the gross proceeds raised in the Offering and were issued Convertible Debentures in the principal amount of $190,000 and 316,730 Warrants. In addition, the Agents received warrants ("Agents' Warrants") to acquire units of the Company that are exercisable at any time prior to March 15, 2020 to acquire that number of units of the Company (the "Agents' Units") which is equal to 8% of the number of Common Shares potentially issuable upon the conversion of the aggregate principal amount of Convertible Debentures sold under the Offering. Each Agents' Warrant shall be exercisable into one Agents' Unit at a price of $0.60 per Agents' Unit. Each Agents' Unit consists of one Common Share and one Warrant.

Grant of options

On February 21, 2018, the Company granted options to an officer to purchase an aggregate of 500,000 common shares at an exercise price of $0.50 per common share, for a term of 5 years, expiring on February 21, 2023. Vesting terms are as follows: 140,000 options immediately and 60,000 options every six months in equal amount until fully vested.

On March 15, 2018, in connection with closing of APA with Calyx, the Company granted options to newly hired employees to purchase an aggregate of 950,000 common shares at an exercise price of $0.51 per common share, for a term of 5 years, expiring on March 15, 2023. Vesting terms are as follows: 25% immediately and 25% every eight months in equal amount until fully vested.