Nutritional High International Inc.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended April 30, 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 Chartered Professional Accountants of Canada.

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

	Notes	April 30, 2018 $	July 31, 2017 $
Assets			
Current			
Cash		**4,921,983**	1,924,736
Short-term investment	4	**2,500,000**	-
Accounts receivable	5, 23	**792,989**	90,479
Prepaids		**664,929**	121,928
Promissory note receivable	6	**535,095**	-
Amounts due from Mr. Baker Greeneries LLC	27	**96,470**	-
Deposits	7	**64,180**	1,822,810
Inventory	8	**656,472**	-
Investments	10	**334,800**	840
		10,566,918	3,960,793
Non-current assets			
Debenture receivable	9	**100,000**	100,000
Put option guarantee receivable	9	**75,000**	-
Amounts due from Palo Verde LLC	11	**301,105**	459,172
Investment properties	12	**1,437,150**	1,424,099
Investments in associate and joint ventures	13	**757,084**	931,484
Capital assets	15	**2,157,200**	1,211,282
Intangible assets	14	**3,709,671**	43,751
Goodwill	14	**123,753**	-
		19,227,881	8,130,581
Liabilities			
Current			
Accounts payable and accrued liabilities	17, 23	**3,206,633**	585,693
Promissory note payable	17	**1,250,467**	907,698
Finance lease	18	**62,871**	75,921
		4,519,971	1,569,312
Non-current liabilities			
Promissory note payable	17	**-**	420,042
Finance lease	18	**20,823**	87,413
Contingent consideration payable	3	**770,160**	-
Convertible debenture	19	**5,184,127**	-
Deferred tax liability	3	**446,615**	-
Put option guarantee liability	9	**387,500**	-
		11,329,196	2,076,767
Shareholders' Equity			
Share capital	20	**18,936,297**	12,218,693
Shares to be issued	20	**59,833**	52,500
Reserve for share-based payments	21	**1,697,643**	1,357,328
Reserve for warrants	22	**2,476,475**	2,447,639
Reserve for foreign currency translation		**1,952**	47,541
Equity component of convertible debenture	19	**720,658**	-
Non-controlling interest	24	**(14,750)**	(14,750)
Accumulated deficit		**(15,979,423)**	(10,055,137)
		7,898,685	6,053,814
		19,227,881	8,130,581

Nature of Operations and Going concern (Note 1)
Commitments (Note 27)
Subsequent Events (Note 30)

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
(Expressed in Canadian Dollars)

		Three months ended		Nine months ended	
		April 30, 2018	April 30, 2017	**April 30, 2018**	April 30, 2017
	Note	**$**	$	**$**	$
Sales		**1,674,269**	-	**1,674,269**	-
Cost of goods sold		**(1,346,722)**	-	**(1,346,722)**	-
Gross profit		**327,547**	**-**	**327,547**	**-**
Interest	11	**74,143**	49,023	**174,560**	122,697
License	3	**-**	-	**3,312**	-
Rental	11	**292,131**	146,740	**831,615**	404,530
		693,821	**195,763**	**1,337,034**	**527,227**
Operating expenses:					
Management and consulting fees	23	**299,819**	417,647	**887,443**	834,192
Professional fees	23	**210,560**	150,381	**563,806**	383,353
Office and general		**728,397**	262,754	**1,022,004**	306,987
Acquisition and project evaluation costs	23	**185,300**	-	**585,353**	-
Share based payments	23	**307,529**	461,547	**495,860**	1,015,752
Sales and marketing		**247,532**	-	**556,845**	-
Amortization	12, 14, 15	**139,765**	93,586	**249,276**	217,327
Allowance for amounts receivable	11	**569,838**	145,739	**1,915,562**	326,547
Total operating expenses		**2,688,740**	1,531,654	**6,276,149**	3,084,158
Other items:					
Foreign exchange gain (loss)		**(164,767)**	161,425	**(281,174)**	152,750
Change in fair value of derivative liability		**-**	-	**-**	(132,657)
Finance costs	17, 19	**(328,914)**	(63,158)	**(537,147)**	(189,632)
Loss on share for debt settlement	20	**-**	(396,720)	**-**	(264,063)
Extension of promissory note payable	17	**-**	(123,243)	**-**	(123,243)
Impairment of a joint venture	13	**-**	-	**(340,300)**	-
Other income	9	**100,000**	-	**100,000**	-
Unrealized loss on FVPL investments	10	**-**	-	**(78,540)**	-
Net gain from deconsolidation of subsidiaries and gain (loss) from investments in associate and joint venture	13	**116,882**	199,592	**151,990**	927,188
Total other items		**(276,799)**	**(222,104)**	**(985,171)**	**370,343**
Net loss		**(2,271,718)**	**(1,557,995)**	**(5,924,286)**	**(2,186,588)**
Other comprehensive loss					
Exchange differences on translating foreign operations		**(125,445)**	(16,268)	**(45,589)**	(29,825)
Net loss and comprehensive loss		**(2,397,163)**	**(1,574,263)**	**(5,969,875)**	**(2,216,413)**
Net loss attributable to non-controlling interest	24	**-**	-	**-**	-
Net loss attributable to parent company		**(2,271,718)**	(1,557,995)	**(5,924,286)**	(2,186,588)
		(2,271,718)	(1,557,995)	**(5,924,286)**	(2,186,588)
Net loss and comprehensive loss attributable to					
non-controlling interest	24	**-**	-	**-**	-
parent company		**(2,397,163)**	(1,574,263)	(5,969,875)	(2,216,413)
		(2,397,163)	(1,574,263)	**(5,969,875)**	(2,216,413)
Weighted average number of shares outstanding					
Basic and diluted		**258,562,069**	246,113,784	**261,733,358**	210,669,934
Loss per share					
Basic and diluted		**$ (0.009)**	(0.006)	**$ (0.023)**	$ (0.010)

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 20)	3,426,555	-	-	2,285,331	-	-	-	5,711,886	-	5,711,886
Shares issued on exercise of warrants (Note 20)	3,038,882	-	-	(873,959)	-	-	-	2,164,923	-	2,164,923
Shares issued on exercise of options (Note 20)	620,854	-	(209,029)	-	-	-	-	411,825	-	411,825
Shares issued pursuant to debenture agreement (Note 20)	313,707	-	-	-	-	-	-	313,707	-	313,707
Shares to be issued (Note 20)	-	(5,890)	-	-	-	-	-	(5,890)	-	(5,890)
Issued for non-cash consideration:										
Issued for debt settlements	576,605	-	-	113,000	-	-	-	689,605	-	689,605
Warrants issued pursuant to promissory note (Note 17)	-	-	-	62,000	-	-	-	62,000	-	62,000
Warrants modified pursuant to promissory note (Note 17)	-	-	-	40,000	-	-	-	40,000	-	40,000
Share based payments (Note 21)	-	-	1,015,752	-	-	-	-	1,015,752	-	1,015,752
Conversion component of convertible debenture	-	-	-	-	-	(167,260)	-	(167,260)	-	(167,260)
Foreign exchange translation	-	-	-	-	(29,825)	-	-	(29,825)	-	(29,825)
Net loss for period	-	-	-	-	-	-	(2,186,588)	(2,186,588)	-	(2,186,588)
Balance at April 30, 2017	**$ 12,045,032**	**$ 57,500**	**$ 1,177,975**	**$ 2,405,030**	**$ (39,497)**	**$ -**	**$ (7,235,650)**	**$ 8,410,390**	**$ (14,750)**	**$ 8,395,640**
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**
Convertible debentures (Note 19)	-	-	-	1,578,503	-	933,347	-	2,511,850	-	2,511,850
Share issue costs	-	-	-	(193,728)	-	(212,689)	-	(406,417)	-	(406,417)
Share based payments (Note 21)	-	-	495,860	-	-	-	-	495,860	-	495,860
Shares issued on exercise of warrants (Note 22)	5,628,254	7,333	-	(1,577,067)	-	-	-	4,058,520	-	4,058,520
Shares issued on exercise of options (Note 21)	415,370	-	(155,545)	-	-	-	-	259,825	-	259,825
Shares to be issued	-	-	-	-	-	-	-	-	-	-
Share issued pursuant to Calyx acquisition (Note 3)	516,480	-	-	-	-	-	-	516,480	-	516,480
Shares issued for service (Note 20)	157,500	-	-	-	-	-	-	157,500	-	157,500
Foreign exchange translation	-	-	-	-	(45,589)	-	-	(45,589)	-	(45,589)
Warrants issued pursuant to promissory note extension (Note 17)	-	-	-	167,942	-	-	-	167,942	-	167,942
Warrants modified pursuant to promissory note extension (Note 17)	-	-	-	53,186	-	-	-	53,186	-	53,186
Net loss for the period	-	-	-	-	-	-	(5,924,286)	(5,924,286)	-	(5,924,286)
Balance at April 30, 2018	**$ 18,936,297**	**$ 59,833**	**$ 1,697,643**	**$ 2,476,475**	**$ 1,952**	**$ 720,658**	**$ (15,979,423)**	**$ 7,913,435**	**$ (14,750)**	**$ 7,898,685**

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 nine months ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
		$	$
OPERATING ACTIVITIES			
Net Loss		**(5,924,286)**	(2,186,588)
Items not affecting cash			
Gain from investment in associate and joint venture		**(151,991)**	(927,188)
Loss on share for debt settlements		**-**	264,063
Extension of promissory note payable		**-**	123,243
Amortization	12,14,15	**220,259**	217,327
Accretion and finance costs	19	**237,516**	98,412
Other income	9	**(100,000)**	
Impairment of a joint venture	13	**340,300**	-
Unrealized loss on FVPL investments	10	**78,540**	-
Shares issued for services	20	**157,500**	-
Share based payments	21	**495,860**	1,015,752
Allowance for amounts due from Palo Verde LLC		**1,915,562**	326,547
Change in the fair value of derivative liability		**-**	132,657
Net change in non-cash working capital:			
Accounts receivable		**(416,518)**	4,681
Promissory note receivable		**(535,095)**	-
Investments	10	**(312,500)**	-
Inventory		**(251,636)**	-
Prepaids		**(513,742)**	(4,933)
Put option guarantee receivable	9	**(75,000)**	-
Amounts due from Mt. Baker Greeneries LLC	27	**(96,470)**	-
Put option guarantee liability	9	**387,500**	-
Amounts due from Palo Verde LLC	11	**(1,120,350)**	(396,433)
Promissory note payable		**(77,273)**	-
Accounts payable and accrued liabilities		**677,520**	(228,401)
Lease obligation		**(79,640)**	121,634
Cash Flow Used in Operating Activities		**(5,143,943)**	(1,439,227)
INVESTING ACTIVITIES			
Deposits	7	**1,527,754**	(1,970,340)
Amounts due from Palo Verde LLC	11	**(637,145)**	(663,797)
Purchase of short-term investments	4	**(2,500,000)**	(1,000,000)
Purchase of intangibles	14	**(51,536)**	-
Additions to investment properties	12	**(38,848)**	(875,536)
Purchase of capital assets	15	**(950,662)**	(756,629)
Acquisition of Calyx Brands Inc.	3	**(958,476)**	-
Investment	13	**-**	(334,265)
Cash Flow Used in Investing Activities		**(3,608,913)**	(5,600,567)
FINANCING ACTIVITIES			
Issuance of share capital, net of share issue costs	20	**-**	5,713,304
Issuance of convertible debenture units, net of issue costs	19	**7,245,772**	99,589
Promissory note payable, net of financing costs	17	**-**	236,989
Repayment of promissory note	17	**-**	(11,489)
Shares issued on warrants exercised	20	**4,051,187**	2,147,284
Share issued on options exercised	20	**259,825**	411,825
Shares to be issued		**34,733**	(5,890)
Cash Flow From Financing Activities		**11,591,517**	8,591,612
Net increase in cash		**2,838,661**	1,551,818
Effects of exchange rate changes on cash		**158,586**	(58,118)
Cash at beginning of period		**1,924,736**	111,786
Cash at end of period		**4,921,983**	1,605,486

Supplementary information (Note 29)

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 nine months ended April 30, 2018 were approved by the Board of Directors on June 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 April 30, 2018, the Company had working capital of $6,046,947 (July 31, 2017 – $2,391,481), spent $5,143,943 (July 31, 2017 - $1,439,227) of cash for operating activities, had not yet achieved profitable operations, has accumulated losses of $15,979,423 (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:

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.

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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:

	Effective ownership		
Subsidiary/Affiliate	**April 30, 2018**	**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
Nutritional High Group, LLC ("NHG")	100%	0%	Consolidation
Eglinton Medicinal Advisory Ltd. ("EMAL")	51%	51%	Consolidation
NH Medicinal Holdings LLC ("NHMH")	100%	100%	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

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 the 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. Basis of Presentation (continued)

2.4 Significant new accounting policies

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, along with identifiable net assets acquired. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Revenue recognition

License income
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.

Sale of goods
Revenue from the sale of products is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the goods sold, revenue can be reliably measured at the fair value of the consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost method.

On acquisition, raw materials are recorded at their replacement cost at the date of acquisition. The cost of finished goods is marked up such that the acquirer will only recognize the benefit of the selling effort of a product.

Intangible Assets and Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, comprising licenses, brand, proprietary data, and customer relationships that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful lives and is recognized in profit or loss. Goodwill is not amortized. The amortization of product formulations began when the Company started to generate revenue from the asset.

2. Basis of Presentation (continued)

2.4 Significant new accounting policies (continued)

Intangible Assets (continued)

The estimated lives of intangible assets are as follows:

- License 10 years
- Brand 5 years
- Proprietary data 5 years
- Customer relationships 2 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within contributed surplus.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or less. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

2.5 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.

2. Basis of Presentation (continued)

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

- 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.

- 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 currently assessing the potential impact of these new standards.

(Unaudited - Expressed in Canadian Dollars)

3. Acquisition of Calyx Brands Inc.

On March 15, 2018, the Company acquired all assets of Calyx Brands Inc. ("Calyx"), a California-based distributor of cannabis products for a large network of dispensaries ("the Acquisition"). The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations* ("IFRS 3"), and as such, has accounted for it in accordance with this standard, with the Company being the accounting acquirer on the acquisition date of March 15, 2018 ("the Acquisition date").

The following table summarizes the preliminary purchase price allocation based on the fair value of the consideration transferred as of the Acquisition date:

Total purchase price consideration	**$**
Cash (i)	651,600
Issued shares (ii)	516,480
Settlement of pre-existing working capital advances (iii)	514,290
Consideration payable (iv)	969,494
Contingent payable (v)	781,920
	3,433,784
Identified tangible assets and liabilities assumed	
Cash	207,414
Prepaids	29,259
Accounts receivable	285,992
Inventory	404,836
Property and Equipment	22,963
Accounts payable and accrued liabilities	(962,166)
Identified Intangible assets	
Licenses	2,228,297
Brand	576,841
Proprietary data	98,685
Customer relationships	864,525
Deferred tax liability	(446,615)
Goodwill	123,753
	3,433,784

(i) Cash consideration of $651,600 (US$500,000) were settled in November 2017 and on the Acquisition date.

(ii) The Company issued 2,025,411 shares on the Acquisition date. The fair value of the shares was determined based on the share price on the Acquisition date.

(iii) The Company advanced a total of $514,290 (US$394,637) to Calyx for working capital prior to the Acquisition date. These advances were effectively settled through the Acquisition.

(iv) In connection with the deferred payment, the Company issued a non-interest bearing of secured promissory note of US$950,000 ("the Note") which shall be repayable on September 15, 2018 either in cash or shares at Calyx's option. As per asset purchase agreement, the balance of the Note would be adjusted to reflect the increase and decrease of of working capital deficiency on the Acquisition date. As of March 15, 2018, the adjusted balance of the Note was $969,494 (US$743,933). On the Acquisition date, Calyx notified that they have elected to take the entire note in cash and as such, will not be issued any shares.

(Unaudited - Expressed in Canadian Dollars)

3. Acquisition of Calyx Brands Inc. (continued)

(v) The Company is committed to a payment of up to $781,920 (US$600,000) based on the achievement of sales targets within 24 months after the Acquisition date which will be payable 50% in cash and 50% in shares.

Goodwill arose from the acquisition comprised of assembled workforce, expected revenue growth, and future market development. These benefits were not recognized separately from goodwill as they do not meet the criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The Company has recorded $446,615 of deferred tax liability related to brand, property data, customer relationships.

The Company has incurred $299,166 in expenditures related to this acquisition. These costs are recorded in acquisition and project evaluation costs in the nine months ended April 30, 2018.

4. Short-term investment

Short-term investment consists of $2,500,000 one-year term deposit, redeemable after 60 days, bearing interest at 1.25% payable at maturity.

5. Accounts Receivable

The breakdown of the accounts receivable balance is as follows:

	April 30, 2018	July 31, 2017
	$	**$**
Trade accounts receivable	**545,498**	**-**
Harmonized Sales Tax ("HST") recoverable	**45,753**	27,863
Other receivable	**201,738**	62,616
Balance	**792,989**	90,479

Included in other receivable is $44,625 (2017 - $Nil) owed from a director of the Company and $150,451 (US$120,182) owed from Lineage (Note 9) for certain reimbursement expenses. These receivables were settled in full in May 2018.

6. Promissory Note Receivable

On November 14, 2017, the Company entered into a 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 (the "Purchase Price").

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 the seller having final confirmation of license approval in Long Beach, California and the Company waiving all customary contingencies.

(Unaudited - Expressed in Canadian Dollars)

6. Promissory Note Receivable (continued)

As at April 30, 2018, the Company had advanced a total of $394,349 (US$307,221) to TKO. These advances bear a 10% interest compounded monthly and secured by certain inventory, fixtures, personal property of TKO, and personal guarantee from TKO's shareholders. Subsequent to April 30, 2018, the Company advanced a further $357,683 (US$278,071).

For the nine months ended April 30, 2018, the Company advanced a total of $140,746 (US$109,649) to an officer and director of the Company.

7. Deposits

	April 30, 2018	July 31, 2017
	$	$
License (i)	**-**	1,498,200
Property (ii)	**64,180**	324,610
Balance	**64,180**	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 $1,347,780 (US$1,000,000) in escrow of which $1,219,420 (US$950,000) was refunded after the agreement was terminated in November 2017.

On March 17, 2017, the Company paid a total of $269,556 (US$210,000) as initial permit application fees to grow and process medical marijuana in Pennsylvania, of which $256,720 (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 7 (i)) were attached to. The Company advanced $205,376 (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 $128,360 (US$100,000) as a deposit to purchase a real estate property in Nevada which agreement was terminated and the deposit was refunded in October 2017.

On August 21, 2017, the Company paid $25,672 (US$20,000) as a deposit to purchase a real estate property in Sacramento, California (Note 27). On January 23, 2018, the purchase agreement was extended to twelve months, and as consideration, the Company was required to pay an additional $35,508 (US$30,000) bringing the total deposit to $61,480 (US$50,000), which shall apply towards to purchase price but is non-refundable.

8. Inventory

Inventory as of April 30, 2018, consisted of the following:

	April 30, 2018	July 31, 2017
Raw materials	**32,824**	-
Finished goods	**623,648**	-
Total inventory	**656,472**	-

Inventories recognized as an expense during the period was $1,346,722

9. Lineage Grow Company ("Lineage")

Debenture receivable

On May 12, 2017, the Company purchased 100 units from 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 an 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 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.

Restated Letter of Intent

On February 1, 2018 the company amended and restated the letter or intent (the "LOI") dated February 22, 2017, as amended on June 30, 2017, with 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 Greeneries LLC ("Mt. Baker"), in the State of Washington. As partial consideration for introducing Mt. Baker to Lineage, the Company received 400,000 common shares of Lineage in April 2018 with a fair value of $100,000. This has been recognized as other income for the nine months ended April 30, 2018.

2. Lineage will enter 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.

(Unaudited - Expressed in Canadian Dollars)

9. Lineage Grow Company ("Lineage")

Put Option agreement

Pursuant to the restated letter of intent, the Company 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), the Company 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. the Company 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 with a total fair value of $312,500;

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.

Pursuant to the Put Option Agreement, KW shall be entitled to exercise the put right after a trigger event, which are defined as the following:

1. Failure of Lineage to list the Lineage Shares on CSE by February 28, 2018 (Lineage was listed on 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 ("commencement date"). On June 25, 2018, the Company and KW amended the put option agreement to change the commencement date to August 31, 2018.

As of April 30, 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. As of April 30, 2018, the Company has recorded $387,500 (2017 - $Nil) of put option guarantee liability and $75,000 (2017 - $Nil) of put option receivable.

10. Investments

The Company's investments are comprised of the following:

	April 30, 2018	July 31, 2017
FVPL	**$**	$
Lineage Grow Company Ltd.		
1,674,000 Shares (2017 – 24,000 shares)	**334,800**	840
400,000 Warrants	**-**	-
Balance	**334,800**	840

(Unaudited - Expressed in Canadian Dollars)

11. 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.

	April 30, 2018	July 31, 2017
	$	$
Lease receivable(i)	**2,420,696**	1,532,721
Revolving loan receivable(ii)	**1,592,005**	823,044
Other receivable (iii)	**227,256**	-
	4,239,957	2,355,765
Provision on amounts receivable(iv)	**(3,938,852)**	(1,896,593)
Balance	**301,105**	459,172

(i) Lease receivable is generated from the Pueblo property, including recoverable expenses related to Pueblo property, and equipment in Colorado (Notes 12 & 15). 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 April 30, 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 April 30, 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 $1,427,577 (US$1,112,167) (July 31, 2017 – $758,910 (US$607,857)) and accrued interest of $164,428 (US$128,099) (July 31, 2017 – $64,134 (US$51,369)) were receivable as at April 30, 2018.

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

(iv) An allowance was recorded for April 30, 2018 and 2017 on account of uncertainties surrounding Palo Verde's license application, recoverability of the loan, lease and other receivable in respect of the timing and unexpected financing delays. During the nine months ended April 30, 2018, the Company recorded an impairment on the loan to Palo Verde of $1,915,562 (2017 - $326,547).

The lease and revolving loan agreements were amended subsequent to April 30, 2018 (Note 30).

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

	$
Less than 1 year	**710,704**
1-2 years	**500,604**
2-3 years	**500,604**
3-4 years	**500,604**
4-5 years	**500,604**
5 years and over	**2,002,416**
	4,715,536

(Unaudited - Expressed in Canadian Dollars)

12. 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 13)	(7,242)	(39,022)	(125,700)	(171,964)
Effect of movement in exchange rates	(6,177)	(36,774)	(23,119)	(66,070)
Balance at July 31, 2017	**208,165**	**1,330,866**	**418,171**	**1,957,202**
Additions	-	-	41,755	41,755
Effect of movement in exchange rates	4,388	26,676	15,456	46,520
Balance at April 30, 2018	**212,553**	**1,357,542**	**475,382**	**2,045,477**

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	-	25,540	46,232	71,772
Effect of movement in exchange rates	-	3,109	343	3,452
Balance at April 30, 2018	**52,102**	**509,650**	**46,575**	**608,327**

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 April 30, 2018	**160,451**	**847,892**	**428,807**	**1,437,150**

(i) The Pueblo property is located in Pueblo West, Colorado (“Pueblo”) and is leased to Palo Verde LLC (Note 11). The fair value of the Pueblo West investment property as at April 30, 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 13) from the consolidated statement of financial position.

13. 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 nine months ended April 30, 2018, the Company recorded profit from NHMD of $222,078 (2017 – loss of $48,677) and loss from SMHI of $76 (2017 – loss of $1,167).

As of April 30, 2018, the carrying value of the Company’s investments in NHMD and SMHI were $757,084 (July 31, 2017 - $538,950) and $Nil (July 31, 2017 - $336,296), respectively.

Aura

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.

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 of Aura’s units comprise of one Aura common share and one-half Aura warrant exercisable, until the earlier of 5 years from the date of issuance or 2 years from the date of listing of Aura’s shares on the CSE, into one Aura’s common share at the exercise price of $0.075. As consideration for the promissory note, Aura issued 4,000,000 common shares to the Company, representing 40% ownership interest in Aura.

In December 2016, Aura closed a private placement which diluted the Company’s ownership to 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.

During the nine months ended April 30, 2018, the Company recorded loss from Aura of $70,012 (2017 - $89,869. The carrying value of the Company’s investment in Aura as of April 30, 2018, was $Nil (July 31, 2017 - $56,238).

(Unaudited - Expressed in Canadian Dollars)

13. Investments in associate and joint ventures (continued)

The following is a breakdown of the components of net gain (loss) from investments for the nine months ended April 30, 2018 and 2017:

	April 30, 2018	April 30, 2017
	$	**$**
Gain from deconsolidation	**-**	1,066,901
Share of Aura loss	**(70,012)**	(89,869)
Share of NHMD income (loss)	**222,078**	(48,678)
Share of SMHI loss	**(76)**	(1,166)
Total	**151,990**	927,188

The following table summarized the financial information of the associate and joint ventures as at April 30, 2018:

	NHMD	**Aura**
	$	$
Cash	417,622	388,986
Current assets	245,594	54,222
Non-current assets	431,446	340,054
Current liabilities	351,658	450,071
Non-current liabilities	613,013	1,096,168
Revenue for the period*	2,407,359	-
Profit (loss) for the period*	424,978	(528,755)

** For the nine months ended April 30, 2018 for NHMD and SMHI and the eight months ended March 31, 2018 for Aura.*

14. Intangible assets and Goodwill

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 are 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.

On January 25, 2018, the parties entered into a license agreement addendum ("Addendum") whereby, the second (2017) and third (2018) annual fees are to be satisfied through the payment of $340,869 (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 $2,572,600 (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 April 30, 2018, no actions have been brought against the Company in relation to the Licensing Agreement with PHP.

(Unaudited - Expressed in Canadian Dollars)

14. Intangible assets and goodwill (continued)

During the nine months ended April 30, 2018, the Company amortized $Nil (2017 - $133,309) of the license. The Company has $Nil (2017 - $66,667) of unamortized license and $Nil (2017 - $16,667) 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 (issued on July 14, 2017 with a fair value of $43,751);
(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.

	Licenses and IP	Brand	Proprietary data	Customer relationships	Goodwill	Total
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance at July 31, 2016	201,652	-	-	-	-	201,.652
Additions	43,751	-	-	-	-	43,751
Disposal and write-off	(201,652)	-	-	-	-	(201,652)
Balance at July 31, 2017	43,751	-	-	-	-	43,751
Additions	2,279,833	576,841	98,685	864,525	123,753	3,943,637
Effect of movement in exchange rate	(33,513)	(8,676)	(1,484)	(13,002)	-	(56,675)
Balance at April 30, 2018	**2,290,071**	**568,165**	**97,201**	**851,246**	**123,753**	**3,930,713**

Accumulated Amortization	Licenses	Brand	Proprietary data	Customer relationships	Goodwill	Total
	$	**$**	**$**	**$**	**$**	**$**
Balance at July 31, 2016	-	-	-	-	-	-
Additions	201,652	-	-	-	-	201,652
Disposal and write-off	(201,652)	-	-	-	-	(201,652)
Balance at July 31, 2017	-	-	-	-	-	-
Additions	27,356	14,164	2,424	53,068	-	97,012
Effect of movement in exchange rate	78	40	7	152	-	277
Balance at April 30, 2018	**27,434**	**14,204**	**2,431**	**53,220**	**-**	**97,289**

(Unaudited - Expressed in Canadian Dollars)

14. Intangible assets (continued)

Carrying Amounts	Licenses	Brand	Proprietary data	Customer relationships	Goodwill	Total
	$	**$**	**$**	**$**	**$**	**$**
Balance at July 31, 2016	201,652	-	-	-	-	201,652
Balance at July 31, 2017	43,751	-	-	-	-	43,751
Balance at April 30, 2018	**2,262,637**	**553,961**	**94,770**	**798,303**	**123,753**	**3,833,424**

15. 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 13)	-	-	(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	-	-	554,589	-	425,504	980,093
Effect of movement in exchange rates	5,710	8,931	14,104	70	21,147	49,962
Balance at April 30, 2018	**208,802**	**326,588**	**588,819**	**2,566**	**1,181,410**	**2,308,185**

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 13)	-	-	(2,505)	(2,270)	-	(4,775)
Effect of movement in exchange rates	-	-	18	1	(3,039)	(3,020)
Balance at July 31, 2017	-	-	-	**363**	**66,485**	**66,848**
Additions	-	-	-	304	51,171	51,475
Effect of movement in exchange rates	-	-	-	193	32,469	32,662
Balance at April 30, 2018	**-**	**-**	**-**	**860**	**150,126**	**150,985**

(Unaudited - Expressed in Canadian Dollars)

15. Capital Assets (continued)

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 April 30, 2018	**208,802**	**326,588**	**588,819**	**1,706**	**1,031,285**	**2,157,200**

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 17).

As at April 30, 2018, the equipment includes $226,363 (2017 - $234,370) of equipment subject to finance lease. A balance of $549,511 was included in prepaid as of April 30, 2018 related to prepayment of equipment.

16. Accounts payable and accrued liabilities

The breakdown of the accounts payable balance is as follows:

	April 30, 2018	July 31, 2017
	$	**$**
Trade accounts payable	**1,989,437**	585,693
Acquisition consideration payable (Note 3)	**956,921**	-
Sales tax payable	**260,275**	-
Balance	**3,206,633**	585,693

17. Promissory Note Payable

On November 4, 2015, the vendor of the Lawrenceville property in Illinois (Note 12) 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 13).

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.

(Unaudited - Expressed in Canadian Dollars)

17. Promissory Note Payable (continued)

On April 18, 2017, the lender amended and restated the loan note to extend the US$800,000 loan to April 18, 2018. As consideration for the extension, the Company paid 1% renewal fee plus 1% extension fee of the principal 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 15) 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.

On April 18, 2018, the lender further amended and restated the loan note of US$800,000 for an additional twelve months to April 18, 2019, with an option to extend for a further six months. As consideration for the extension, the Company paid the lender a renewal fee of $20,182 (US$16,000), issued 750,000 warrants at an exercise price of $0.70 per share, expiring on October 18, 2019, valued at $167,942 and extended the expiry of the previously issued 3,333,334 warrants and 1,000,000 warrants to October 18, 2019. The extension resulted in a fair value increase of these warrants of $53,186.

	April 30, 2018	July 31, 2017
	$	$
Opening balance	**1,327,740**	1,004,999
Advances	**-**	795,120
Deferred financing costs	**(246,040)**	(211,180)
Deferred financing amortization	**132,926**	135,080
Repayment	**-**	(11,489)
De-consolidated on the joint venture (Note 13)	**-**	(322,079)
Effect of movement in exchange rates	**35,841**	(62,711)
	1,250,467	1,327,740
Current	**1,250,467**	907,698
Long-term	**-**	420,042

18. Finance lease

On February 15, 2017, the Company entered into a capital equipment lease agreement in relation to equipment at Pueblo facility (Note 15) for $5,949 (US$4,635) per month for 30 months, expiring August 15, 2019.

Future minimum lease payable are as follows:

	$
Less than 1 year	**71,394**
1-2 years	**23,798**
	95,192

19. Convertible debentures

On March 15, 2018, the Company issued 8,000 Convertible Debentures Units (the "Units") for $8,000,000. Each Unit consists of $1,000 principal amount of 10% senior unsecured convertible debentures and 1,667 common share purchase warrants of the Company payable semi-annually. The debentures mature on March 15, 2021.

The debentures are convertible into common shares of the Company at a conversion price of $0.60 per share. Each warrant is exercisable to acquire one common share of the Company for a period of 36 months following Closing at an exercise price of $0.70 per share.

(Unaudited - Expressed in Canadian Dollars)

19. Convertible debentures (continued)

Beginning July 16, 2018, the Company may force the conversion of all the principal amount of the then outstanding debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the common shares be greater than $1.20 for any 20 consecutive trading days.

The Company paid cash fees of $947,956 and issued debentures in the principal amount of $190,000 and 316,730 Warrants. In addition, the Agents received 1,066,666 warrant units ("Agents' Units") Each Agents' Unit 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. Each warrant exercisable for a period of 2 years following Closing at an exercise price of $0.70 per share.

On initial recognition, the residual method was used to allocate the fair value of the debt and equity components. The fair value of the liability was calculated as $6,406,521 using a discount rate of 20%. The residual proceeds of $1,783,479 were allocated between warrants and conversion option on a pro-rata basis relative to their fair values. Total financing costs of $1,866,327 have been allocated proportionately to the equity and liability components. For the nine months ended April 30, 2018 the company recorded accretion expense on the convertible debenture of $237,516 which is included within finance costs.

The following is a summary of convertible liability activity for the nine months ended April 30, 2018:

	April 30, 2018	July 31, 2017
Balance at beginning of period	**-**	-
Issuance of convertible debenture (net of transaction costs)	**5,421,643**	-
Accretion expense	**237,516**	-
Balance at end of period	**5,184,127**	-

20. 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 22)	33,504,950	3,086,403
Issued on exercise of options (Note 21)	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	27,266,204	5,628,254
Issued pursuant to Calyx acquisition (x)	2,025,411	516,480
Issued for services (ix)	328,571	157,500
Issued on exercise of options	1,527,500	415,370
Balance, April 30, 2018	**282,348,086**	**$18,936,297**

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

20. Share Capital (continued)

(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.

(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 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 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.

(Unaudited - Expressed in Canadian Dollars)

20. Share Capital (continued)

(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 14).

(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.

(x) On March 15, 2018, the Company issued 2,025,411 shares to Calyx Brands Inc. (Note 3), valued at $516,480 based on the share price on the date of issuance.

21. 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 28,271,695 at April 30, 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)(xi)(xii)	2,400,000		495,860*
Exercised	(1,527,500)		(155,545)
Forfeited	(350,000)		-
Balance, April 30, 2018	**17,165,000**	**$**	**1,697,643**

* Balance includes vesting charge during the nine months ended April 30, 2018 on options granted in prior years.

(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.

(Unaudited - Expressed in Canadian Dollars)

21. Reserve for Share Based Payments (continued)

(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.

(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.

(xi) On February 21, 2018, 500,000 options valued at $220,152 were granted to an officer of the Company. The options are exercisable at a price of $0.50 per Common Share for a period of 5 years from the date of issuance. A total of 140,000 options vested immediately, and the remaining 360,000 options vest every 6 months in equal amount over thirty-six months.

(xii) On March 15, 2018, 900,000 options valued at $387,192 were granted to employees. The options are exercisable at a price of $0.51 per Common Share for a period of 5 years from the date of issuance. 25% of the options vested immediately and 25% of the options vesting every 8 months in equal amount until fully vested.

In connection to the options granted to consultants during the nine months ended April 30, 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 nine months ended April 30, 2018 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	124% - 160%
Expected life	2-5 years
Risk-free interest rate	1.63 – 2.14 %
Expected dividend yield	0%
Forfeiture rate	0%

(Unaudited - Expressed in Canadian Dollars)

21. Reserve for Share Based Payments (continued)

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.

As at April 30, 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	2,150,000	2,150,000
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	262,500
April 21, 2021	$0.070	2,500,000	2,083,333
October 17, 2021	$0.135	1,900,000	1,900,000
April 17, 2022	$0.135	3,100,000	2,325,000
April 17, 2022	$0.135	2,000,000	2,000,000
July 10, 2022	$0.120	200,000	200,000
October 30, 2022	$0.130	500,000	266,667
January 17, 2023	$0.580	500,000	-
February 21, 2023	$0.50	500,000	140,000
March 15, 2023	$0.51	900,000	225,000
		17,165,000	**14,117,500**

As at April 30, 2018, the weighted average exercise price of the options exercisable was $0.126 (July 31, 2017 - $ 0.124). The weighted average exercise price of the options outstanding was $0.161 (July 31, 2017 - $0.121) and the weighted average remaining contractual life of the stock options was 3.20 years (July 31, 2017 – 3.59 years). For the nine months ended April 30, 2018, the weighted average exercise price of the stock options exercised was $0.170 (2017 - $0.096).

(Unaudited - Expressed in Canadian Dollars)

22. 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 20)	33,912,313	2,306,571
Warrants issued pursuant to debt settlement (Note 20)	4,435,422	131,000
Warrants issued pursuant to promissory note (Note 17)	2,217,391	150,000
Warrants expired	(667,400)	-
Warrants exercised	(33,504,950)	(918,590)
Balance, July 31, 2017	**37,751,548**	**$ 2,447,639**
Warrants pursuant to convertible debenture (Note 19)	14,719,396	1,384,775
Warrants issued and modified pursuant to promissory note (Note 17)	750,000	221,126
Warrants issued	1,004,483	-
Warrants expired	(46,530)	-
Warrants exercised	(27,266,204)	(1,577,067)
Balance, April 30, 2018	**26,912,693**	**2,476,475**

The estimated fair value of warrants granted during the period ended April 30, 2018 was determined using the Black-Scholes option pricing model with the following assumptions:

Volatility	141%- 147%
Expected life	1.5 - 3 years
Risk-free interest rate	1.75% - 1.88%
Expected dividend yield	0%

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%

(Unaudited - Expressed in Canadian Dollars)

22. Reserve for Warrants (continued)

As at April 30, 2018, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
May 8, 2018	$0.22	4,798,972
October 18, 2018	$0.15	1,000,000
October 18, 2018	$0.06	3,333,334
November 8, 2018	$0.15	1,064,599
November 18, 2018	$0.22	29,001
June 6, 2019	$0.165	1,217,391
October 18, 2019	$0.70	750,000
March 15, 2020	$0.60	13,336,000
March 15, 2020	$0.70	316,730
March 18, 2020	$0.70	1,066,666
		26,912,693

As at April 30, 2018, the weighted average exercise price of the warrants was $0.419 (July 31, 2017 - $ 0.149) and the weighted average remaining contractual life of the warrants was 1.22 years (July 31, 2017 – 0.85 years). For the nine months ended April 30, 2018, the weighted average exercise price of the warrants exercised was $0.149 (2017 - $0.105).

23. Related Parties and Key Management

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

For the nine months ended April 30, 2018, the Company:

a. Incurred professional fees of $150,904 (2017 - $90,300) from Branson Corporate Services, a company in which a company with a related director, Adam Szweras has a 49% interest. As at April 30, 2018, $Nil (July 31, 2017 - $Nil) was due to Branson Corporate Services.

b. Incurred consulting fees of $204,864 (2017 - $144,000) from FMI Capital Advisory Inc., a company with a related director, Adam Szweras of which $60,864 is included in acquisition and project evaluation costs. As at April 30, 2018, $18,080 (July 31, 2017 - $6,844) was due to FMI Capital Advisory Inc. and $6,662 (July 31, 2017 - $6,327) was due from FMI Capital Advisory Inc.

c. Incurred marketing expenses of $71,413 (2017 - $Nil) and software costs of $51,537 (2017 - $Nil) from Plexus Cybermedia Ltd, a company in which a director, Brian Presement has a 33% interest. As at April 30, 2018, $Nil was due to Plexus Cybermedia Ltd.

d. Incurred professional fees of $222,451 (2017 - $165,240) from Fogler Rubinoff, LLP, a law firm in which a director, Adam Szweras of the Company is a partner of which $149,359 was incurred related to share issue costs and $2,688 was incurred related to as acquisition and project evaluation costs. As at April 30, 2018, $181,457 (July 31, 2017 - $Nil) was due to Fogler Rubinoff, LLP.

e. Incurred management compensation to key management and directors of $356,825 (2017 – $235,494) in cash and $281,412 (2017 - $371,906) in stock-based payments. As at April 30, 2018, $52,500 (July 31, 2017 - $52,500) is included in shares to be issued to an officer of the Company.

See also Notes 5 and 6.

24. 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 nine months ended April 30, 2018, the Company recorded $Nil (2017 - $Nil) of the subsidiary's net loss and comprehensive loss related to the non-controlling interest.

25. Management of Capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended April 30, 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 April 30, 2018 totaled $7,898,685 (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.

26. Financial Instruments

Fair Value of Financial Instruments

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

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

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

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

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

The Company designated its cash and short-term investment as fair value through profit and loss, which is measured at fair value and is classified as Level 1. The Company designated its investments as fair value through profit and loss, which is measured at fair value and is classified as Level 2.

26. Financial Instruments (continued)

The recorded value of the Company's accounts receivable, promissory note receivable, amounts due from Mt. Baker Greeneries LLC, debenture receivable, put option guarantee premium, amounts due from Palo Verde LLC, accounts payable and accrued liabilities, finance lease, promissory note payable, and put option guarantee 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 accounts receivable, promissory note receivable, amounts due from Mt. Baker Greeneries LLC, debenture receivable, put option guarantee premium, amounts due from Palo Verde LLC including lease receivable (Note 11). Collection of the amounts due from Mt. Baker Greeneries LLC and Palo Verde LLC is contingent on the success of their operations. The Company has no other significant concentration of credit risk arising from operations. Cash and short-term investments are held with a reputable Canadian credit union which is closely monitored by management. Accounts receivable consists of trade accounts receivable, 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 Mt. Baker Greeneries 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 April 30, 2018, the Company had working capital of $6,046,947 (July 31, 2017 – $2,391,482), current assets of $10,566,918 (July 31, 2017 - $3,960,793) and current liabilities of $4,519,971 (July 31, 2017 - $1,569,312). All the Company's financial liabilities and receivables, excluding amounts due from Palo Verde LLC (Note 11), finance lease (Note 18), promissory note payable (Note 17), contingent consideration (Note 3), put option guarantee premium (Note 9), put option guarantee (Note 9), and convertible debenture (Note 19) have contractual maturities of less than 90 days and are subject to normal trade terms.

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 $485,591 (July 31, 2017 - $170,200) as a result of the Company's exposure to currency exchange rate fluctuations.

26. Financial Instruments (continued)

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 $5,779 (July 31, 2017 - $2,171) because of the Company's exposure to interest rate fluctuations.

27. 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 7), 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.

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.

27. Commitments (continued)

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").

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 April 30, 2018, the Company had $96,470 (US$74,756) (2017 - $Nil) due from Mt. Baker.

Pasa Verde, LLC

The Company signed a binding letter agreement to acquire all shares of Pasa Verde, LLC ("Pasa Verde"), a leading manufacturer of cannabis extraction and toll processing facility in Sacramento, California.

Pursuant to the agreement, total consideration would be as follows: US$750,000 in cash, US$900.000 in stocks, with additional consideration of up to US$5.3 million being awarded over a 2-year period upon completion by Pasa Verde of certain performance targets. Additionally, the Company has committed to fund up to US$500,000 of capital expenditures.

27. Commitments (continued)

Letter of intent for investment

On March 8, 2018, the Company entered into a binding letter of intent (the "LOI") for the purchase and sale of stocks of in a Company which is in the process of applying for a Medical Marijuana Treatment Center License. Pursuant to the LOI, the Company will purchase 16.67% of the applicant for $5,000,000 with an option to purchase an additional 10% for $5,000,000 at any time within one year of close. Upon execution of a Stock Purchase Agreement, the Company shall deposit a commitment letter pledging a total of $4,500,000 in cash to be delivered to the applicant over the following 12 months in tranches as follows: (i) $1,500,000 upon close, (ii) $1,000,000 upon 90 days after close, (iii) $1,000,000 upon 180 days after close, (iv) $1,000,000 upon 270 days after close and; (v) $500,000 worth of common shares.

Xanthic Biopharma Inc.

On May 1, 2018, the Company entered into a binding letter of intent ("LOI") with Xanthic Biopharma Inc. ("Xanthic") for the production and distribution of Xanthic branded water-soluble cannabis infused powders in California. Subject to the negotiations of a definitive agreement, Xanthic will partner with Pasa Verde LLC to distribute its patent-pending water-soluble cannabis-infused powder products.

28. Letter of Intent

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.

(Unaudited - Expressed in Canadian Dollars)

28. Letter of Intent (continued)

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

In June 2018, the LOI has been extended to July 15, 2018.

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

For the nine months ended:	**April 30, 2018** **$**	April 30, 2017 $
Interest paid	**97,803**	56,478
Shares issued for services	**157,500**	-
Shares issued on acquisition	**516,480**	-
Shares issued for settlement of debt	**-**	443,542

30. Subsequent events

On May 7, 2018, the Company granted options to a consultant to purchase an aggregate of 400,000 common shares at an exercise price of $0.40 per common share, for a term of 5 years, expiring on May 7, 2023. Vesting terms are as follows: 100,000 options every three months until fully vested.

On May 8, 2018, the Company granted options to directors and consultants to purchase an aggregate of 3,700,000 common shares at an exercise price of $0.36 per common share, for a term of 5 years, expiring on March 15, 2023. Options vest every six months over 18 months, in equal amount until fully vested.

With effect on June 1, 2018, the Company and Palo Verde LLC (Note 11) amended the existing agreements and entered into new agreements, as follows:

(i) Revolving loan - the maturity date of the revolving loan was extended to June 1, 2023 and interest shall accrue at 10%. In addition, Palo Verde shall make agreed upon monthly payments commencing on June 1, 2018 to June 1, 2023. All outstanding revolving loan and interest balance, net of monthly payments received, shall be due and payable on June 1, 2023.

(ii) Lease agreements - the monthly lease rates were amended and 10% interest per annum will be applied on deferred lease effective June 1, 2018. Palo Verde shall make agreed upon monthly payments towards deferred lease commencing on June 1, 2018 to June 1, 2021. All deferred lease, net of monthly payments received, shall be due and payable on June 1, 2021.

(iii) Consulting and branded packaging agreements – the Company shall provide consulting services and proprietary packaging materials and certain trademarks to Palo Verde LLC.

See Notes 5, 6, 9, 26 and 28.