



Nutritional High International Inc.

Condensed Interim Consolidated Financial Statements

Six months ended January 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise noted)

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Financial Position
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	January 31, 2020	July 31, 2019
ASSETS			
Current			
Cash		\$ 703,156	\$ 1,492,233
Amounts receivable	5	3,950,490	4,328,102
Prepaid expenses		270,413	387,614
Deposits	6	177,163	201,588
Inventory	7	621,724	2,562,996
Investments	8	223,954	933,146
		5,946,900	9,905,679
Non-current assets			
Investment property	10	1,335,732	1,368,142
Capital assets	13	6,330,429	4,735,024
Intangible assets	12	1,623,340	1,894,404
Goodwill	12	1,583,812	1,573,638
		\$ 16,820,213	\$ 19,476,887
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14, 17	\$ 10,911,342	\$ 10,145,459
Income taxes payable		439,434	428,902
Promissory note payable	15	-	525,920
Lease obligations	16	1,625,204	946,128
Convertible debentures advance	29	612,577	462,000
Consideration payable	3,4	-	884,203
		13,588,557	13,392,612
Non-current liabilities			
Lease obligations	16	2,358,367	1,323,170
Convertible debentures	17	9,669,933	7,547,996
Derivative liabilities	17	385,757	1,909,910
Deferred gain on sale and leaseback	16	129,225	162,278
Deferred income tax liabilities		482,000	487,000
		\$ 26,613,839	\$ 24,822,966
Shareholders' Deficit			
Share capital	18	\$ 36,186,258	\$ 34,022,041
Shares to be issued	21	52,501	52,501
Reserve for share based payments	19	4,556,902	3,358,075
Reserve for warrants	20	4,275,893	4,101,867
Reserve for foreign currency translation		78,091	242,217
Equity component of convertible debenture	17	442,962	349,548
Non-controlling interest	22	(14,750)	(14,750)
Deficit		(55,371,483)	(47,457,578)
		\$ (9,793,626)	\$ (5,346,079)
		\$ 16,820,213	\$ 19,476,887

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 25)
Subsequent events (Note 29)

Approved by the Board:
"Adam Szweras" Director

"David Posner" 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
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	2020	2019
Sales		\$ 9,801,694	\$ 11,826,186
Cost of goods sold		(7,413,725)	(9,187,349)
Gross margin		2,387,969	2,638,837
Interest	5	49,324	3,812
Rental	9	-	50,452
		2,437,293	2,693,101
Operating expenses:			
Salaries, benefits and consulting fees		3,340,310	4,805,992
Professional fees	21	418,074	546,153
General and administrative	27	1,696,326	1,867,441
Acquisition and project evaluation costs	21	130,967	397,348
Share based payments	19	1,198,827	840,461
Sales, marketing and promotion	21	1,225,572	608,317
Loss and reserve on inventory	7	-	371,132
Depreciation and amortization	10,12,13	1,340,130	1,246,518
Allowance for amounts receivable	5	31,134	380,229
Allowance for amounts due from Palo Verde LLC	9	-	279,668
Total operating expenses		9,381,340	11,343,259
Other items:			
Foreign exchange loss (gain)		(233,791)	211,063
Finance costs	15,16,17	2,130,800	1,516,790
Impairment of a joint venture	11	-	54,770
Gain on sale and leaseback	16	(33,983)	-
Other income		-	(173,600)
Unrealized loss on FVTPL investments	8	658,693	101,599
Gain on sale of interest in a joint venture	11	-	(3,706,003)
Gain on sale of property	13	-	(818,790)
Loss on sale of investment	8	8,331	-
Change in fair value of derivative liability	17	(1,479,044)	(664,540)
Gain on debt settlement	18	(69,221)	(119,387)
Gain from investments in associates and joint ventures	11	-	85,399
Total other items		981,785	(3,512,699)
Loss before income taxes		(7,925,832)	(5,137,459)
Income tax expense (recovery)			
Current		95,103	446,896
Deferred		(107,030)	-
		(11,927)	446,896
Loss		(7,913,905)	(5,584,355)
Other comprehensive loss			
Exchange differences on translating foreign operations		(164,126)	(109,518)
Loss and comprehensive loss		\$ (8,078,031)	\$ (5,693,873)
Loss attributable to:			
Non-controlling interest	22	-	-
Parent company		(7,913,905)	(5,584,355)
		\$ (7,913,905)	\$ (5,584,355)
Net loss and comprehensive loss attributable to:			
Non-controlling interest	22	-	-
Parent company		(8,078,031)	(5,693,873)
		\$ (8,078,031)	\$ (5,693,873)

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
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	2020	2019
Weighted average number of common shares outstanding			
Basic		372,737,755	294,804,197
Diluted		372,737,755	294,804,197
Net loss per share			
Basic		\$ (0.021)	\$ (0.020)
Diluted		\$ (0.021)	\$ (0.020)

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

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Cash Flow
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash provided by (used in)		
Operating activities:		
Net loss	\$ (7,913,905)	\$ (5,584,355)
Items not affecting cash:		
Interest income	(47,342)	(3,812)
Deferred income tax recovery	(107,030)	-
Depreciation and amortization	1,340,130	1,246,518
Shares issued for services	2,516	10,000
Unrealized loss on FVTPL investments	658,693	101,599
Gain on sale of interest in joint venture	-	(3,706,003)
Other income	-	(173,600)
Change in fair value of derivative liabilities	(1,479,044)	(664,540)
Gain from investment in associates and joint ventures	-	85,399
Gain on debt settlement	(69,221)	(119,387)
Accretion and finance costs	2,130,800	1,516,790
Share based payments	1,198,827	840,461
Gain on sale of property	-	(818,790)
Gain on sale of investment	8,331	-
Allowance for amounts receivable	-	328,550
Allowance for amounts due from Palo Verde LLC	-	279,668
Net change in non-cash working capital:		
Amounts receivable	377,612	(482,309)
Prepaid	117,201	198,076
Inventory	1,941,272	(2,534,744)
Deposits	24,425	-
Income taxes payable	10,532	448,547
Accounts payable and accrued liabilities	765,883	2,432,874
Net cash used in operating activities	\$ (1,040,320)	\$ (6,599,058)
Investing activities:		
Payment of deposits	-	(46,561)
Amounts due from Palo Verde LLC	-	(193,873)
Redemption of short-term investments	-	2,014,172
Consideration paid pursuant to Calyx acquisition	-	(763,321)
Proceeds from sale of investments	39,169	-
Assets acquisition of Moses Garden LLC	-	(912,288)
Proceeds from sale of property	-	1,718,565
Amounts receivable from Green Therapeutics	-	(463,150)
Purchase of capital assets	(182,900)	(427,222)
Acquisition of Calyx Brands Inc.	(228,218)	-
Proceeds on sale of interest in a joint venture	-	4,747,192
Additions to investment in associates	-	(249,060)
Net cash generated from (used in) investing activities	\$ (371,949)	\$ 5,424,454
Financing activities:		
Issuance of convertible debenture units, net of issue costs	1,228,862	3,671,276
Proceeds on sale and leaseback	-	1,922,203
Interest paid on promissory note	(14,073)	(77,954)
Repayment of promissory note	(132,100)	(539,800)
Convertible debentures advances	217,777	-
Interest paid on convertible debenture	-	(404,500)
Lease payments	(989,280)	(347,100)
Shares issued on warrants exercised	-	233,217
Shares issued on options exercised	-	73,582
Net cash generated from financing activities	\$ 311,186	\$ 4,530,924
Net increase (decrease) in cash	\$ (1,101,083)	\$ 3,356,320
Effects of exchange rate changes on cash	312,006	(415,839)
Cash at beginning of period	1,492,233	784,998
Cash at end of period	\$ 703,156	\$ 3,725,479

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' Deficit
(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 - July 31, 2018	\$ 22,204,166	\$ 3,679,924	\$ 2,093,669	\$ 2,261,831	\$ (95,736)	\$ 359,462	\$ (19,761,453)	\$ 10,741,863	\$ (14,750)	\$ 10,727,113
Warrants issued pursuant to sale and leasback (Note 17)	-	-	-	63,424	-	-	-	63,424	-	63,424
Conversion of debentures	68,368	-	-	-	-	(4,221)	-	64,147	-	64,147
Share based payments (Note 19)	-	-	840,461	-	-	-	-	840,461	-	840,461
Shares issued on exercise of warrants (Note 20)	565,207	-	-	(331,990)	-	-	-	233,217	-	233,217
Shares issued on exercise of options (Note 19)	120,238	-	(46,656)	-	-	-	-	73,582	-	73,582
Shares issued pursuant to Calyx acquisition (Note 3)	145,950	(145,950)	-	-	-	-	-	-	-	-
Shares issued pursuant to Pasa Verde acquisition	43,324	(43,324)	-	-	-	-	-	-	-	-
Shares issued for debt settlement (Note 18)	81,908	-	-	15,024	-	-	-	96,932	-	96,932
Shares issued for service (Note 18)	10,000	-	-	-	-	-	-	10,000	-	10,000
Shares issued pursuant to Mosees Garden acquisition (Note 4)	3,828,148	-	-	-	-	-	-	3,828,148	-	3,828,148
Shares issued for interest on convertible debentures (Note 17)	208,504	-	-	-	-	-	-	208,504	-	208,504
Foreign exchange translation	-	-	-	-	(109,518)	-	-	(109,518)	-	(109,518)
Not income for the period	-	-	-	-	-	-	(5,584,355)	(5,584,355)	-	(5,584,355)
Balance - January 31, 2019	\$ 27,275,813	\$ 3,490,650	\$ 2,887,474	\$ 2,008,289	\$ (205,254)	\$ 355,241	\$ (25,345,808)	\$ 10,466,405	\$ (14,750)	\$ 10,451,655
Balance - July 31, 2019	\$ 34,022,041	\$ 52,501	\$ 3,358,075	\$ 4,101,867	\$ 242,217	\$ 349,548	\$ (47,457,578)	\$ (5,331,329)	\$ (14,750)	\$ (5,346,079)
Share based payments (Note 19)	-	-	1,244,984	-	-	-	-	1,244,984	-	1,244,984
Shares issued on exercise of warrants (Note 20)	97,977	-	-	(97,977)	-	-	-	-	-	-
Forfeiture of stock options (Note 19)	-	-	(46,157)	-	-	-	-	(46,157)	-	(46,157)
Convertible debenture (Note 17)	-	-	-	-	-	196,550	-	196,550	-	196,550
Deferred tax on convertible debenture (Note 17)	-	-	-	272,003	-	(102,029)	-	169,974	-	169,974
Shares issued for debt settlement (Note 18)	251,789	-	-	-	-	-	-	251,789	-	251,789
Shares issued for service (Note 18)	116,028	-	-	-	-	-	-	116,028	-	116,028
Conversion of debentures (Note 17)	185,755	-	-	-	-	(1,107)	-	184,648	-	184,648
Shares issued for pursuant to Moses Garden acquisition (Note 4)	659,050	-	-	-	-	-	-	659,050	-	659,050
Shares issued for interest on convertible debenture (Note 17)	853,618	-	-	-	-	-	-	853,618	-	853,618
Foreign exchange translation	-	-	-	-	(164,126)	-	-	(164,126)	-	(164,126)
Net loss for the period	-	-	-	-	-	-	(7,913,905)	(7,913,905)	-	(7,913,905)
Balance - January 31, 2020	\$ 36,186,258	\$ 52,501	\$ 4,556,902	\$ 4,275,893	\$ 78,091	\$ 442,962	\$ (55,371,483)	\$ (9,778,876)	\$ (14,750)	\$ (9,793,626)

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

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

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

The condensed interim consolidated financial statements for the six months ended January 31, 2020 were approved by the Board of Directors on March 31, 2020.

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 in the United States in the cannabis sector, a sector that has been legalized by certain U.S. states but remains federally illegal and is subject to legislative uncertainty. The Company's operations are not yet self 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 cannabis 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.

As at January 31, 2020, the Company had working capital deficiency of \$7,641,657 (July 31, 2019 – \$3,486,933), spent \$1,040,320 (2019 - \$6,599,058) of cash for operating activities, had not yet achieved profitable operations, had accumulated losses of \$55,371,483 (July 31, 2019 - \$47,457,578), had shareholders' deficit of \$9,793,626 (July 31, 2019 - \$5,346,079) 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 ability of the Company to continue as a going concern is dependent on its ability to obtain further funding, manage cash flows, restructure borrowings and recover funds loaned to borrowers that have currently been provided against or recover collateral that secured those loans. There is a significant uncertainty whether the Company will be able to continue as a going concern and therefore, whether it will continue its normal business activities and realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements. These condensed interim consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the Company note continue as a going concern. These 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 preparation

2.1 Statement of compliance

These unaudited 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"). The condensed interim consolidated financial statements do not include all the information required in the annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Company's most recently issued audited financial statements for the years ended July 31, 2019 and 2018.

2.2 Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and acquisition-related contingent consideration which are measured at fair value.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

2.3 Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and 51% owned subsidiary, Eglinton Medicinal Advisory Ltd. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Intercompany balances and transactions and unrealized and realized gains or losses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

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 period in the statement of loss and comprehensive loss.

The Company's subsidiaries and investments in associate and joint venture are listed below:

Subsidiary/Affiliate	January 31, 2020	
	Ownership Interest	Accounting method
NHII Holdings Ltd. ("NHHL")	100%	Consolidation
NHC IP Holdings Corp. ("NHCIP")	100%	Consolidation
Nutritional High (Colorado) Inc. ("NHCI")	100%	Consolidation
NH Properties Inc. ("NHPI")	100%	Consolidation
NHC Edibles LLC ("NHC")	100%	Consolidation
Nutritional High (Oregon) LLC ("NHOL")	100%	Consolidation
Nutritional Traditions Inc. ("NTI")	100%	Consolidation
Nutritional IP Holdings LLC ("NIPH")	100%	Consolidation
NH (Oregon) Properties LLC ("NHOP")	100%	Consolidation
NH Processing (Nevada) Inc. ("NHPN")	100%	Consolidation
NH Operations LLC ("NHOC")	100%	Consolidation
NH Nevada LLC ("NHNC")	100%	Consolidation
NH (Pennsylvania) LLC ("NHPL")	100%	Consolidation
NH Properties (Nevada) LLC ("NPNL")	100%	Consolidation
Eastgate Property Holding LLC ("EPHC")	100%	Consolidation
NH Processing (California) LLC ("NHPC")	100%	Consolidation
NH Bellingham Property Holdings LLC ("NHBH")	100%	Consolidation
NH Distribution California LLC ("NHDC")	100%	Consolidation
Pasa Verde, LLC ("Pasa Verde")	100%	Consolidation
NH Washington Inc. ("NHWI")	100%	Consolidation
Nutritional High Group, LLC ("NHG")	100%	Consolidation
Eglinton Medicinal Advisory Ltd. ("EMAL")	51%	Consolidation
NH Medicinal Holdings LLC ("NHMH")	100%	Consolidation
Calyx Brands Inc. ("Calyx") ⁽¹⁾	80%	Consolidation

(1) On October 28, 2019, the Company amended its asset purchase agreement (Note 3) to recast it as a share purchase agreement. The Company holds 80% of the issued and outstanding shares of Calyx, with the option to purchase the remaining 20% for nominal consideration.

2.4 Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of the Company, NHHL, NHCIP, and EMAL is the Canadian dollar. The functional currency of the remaining subsidiaries is the US dollar.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

2.5 Significant accounting policies and New Standards

The accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied in the Company's audited consolidated financial statements as at and for the year ended July 31, 2019, except as noted below.

IFRS 16, Leases ("IFRS 16")

As of August 1, 2019, the Company adopted IFRS 16 that revises the definition of leases and introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company adopted IFRS 16 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings on the date of initial adoption (August 1, 2019), without retrospective restatement of the financial statements.

Lease recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to contract the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision as to how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of that asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a right-of-use asset ("ROU") that will generally be equal to the lease obligation at adoption. The ROU is subsequently amortized over the life of the contract.

This policy is applied to contracts entered into, or changed, on or after August 1, 2019.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Leases transition

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at August 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at August 1, 2019 and the related right-of-use assets were recognised at amounts equal to the corresponding lease liability.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise ROU assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the ROU asset at the date of initial application.
- Applied a single discount rate to a portfolio of leases with similar characteristics.

Lease liabilities recognized at August 1, 2019 amounted to \$2,497,110. Refer to Note 16 for further details.

IFRIC 23, Uncertainly over Income Tax Treatments ("IFRIC 23")

In June 2018, the IASB issued IFRIC 23 which 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. On August 1, 2019, the Company adopted IFRIC 23, which did not have any effect on the Company financial statements.

3. Business acquisition

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 amended the Acquisition agreement (the "Amended Acquisition"), which was previously closed in escrow pending regulatory approval, to recast it as a share purchase agreement on October 28, 2019. Under the Amended Acquisition, the Company acquired 80% of issued and outstanding in Calyx for no additional consideration, with the option to purchase the remaining 20% for nominal consideration.

During the six months ended January 31, 2020, the Company paid the final consideration of \$228,218 (US\$172,500) in cash pursuant to the Acquisition agreement. As at January 31, 2020, \$Nil (July 31, 2019 - \$226,803) was included in current consideration payable.

4. Asset acquisition

On January 3, 2019, the Company acquired certain assets of Moses Garden LLC, a Washington-based limited liability company ("Moses Garden"). The Company determined that the transaction being an acquisition of assets in accordance with the definition in IFRS 3, *Business Combinations* ("IFRS 3"), and as such, has accounted for it in accordance with this standard.

Total purchase price consideration	\$
Cash (i)	905,018
Issued shares (ii)	3,828,148
Consideration payable in shares (iii)	1,350,100
Transaction costs (iv)	7,270
	6,090,536
Identified tangible assets and liabilities assumed	
Equipment	904,393
Identified intangible assets	
Assignment of license and trademark (v)	5,186,143
	6,090,536

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

- (i) Total cash consideration paid was \$905,018 (US\$675,000).
- (ii) The Company issued 13,432,098 common shares valued at \$3,828,148 on closing. The fair value of the common shares was determined based on the share price on the closing date.
- (iii) The Company issued 3,400,260 shares valued at \$654,050, being US\$500,000 worth of common shares due six months after closing, on July 8, 2019. The final consideration of US\$500,000 in shares due nine months after closing were issued on September 11, 2019.
- (iv) The Company incurred \$7,270 in expenditures related to this acquisition.
- (v) Assignment of license and trademark is to license a number of well-known brands, including Marley Natural brand, for use in connection with inhalable cannabis products in Washington and Oregon.

As at January 31, 2020, \$Nil (July 31, 2019 - \$657,400) was included in current consideration payable.

5. Amounts receivable

The breakdown of the amounts receivable balance is as follows:

	January 31, 2020	July 31, 2019
	\$	\$
Trade accounts receivable ⁽ⁱⁱⁱ⁾	1,927,237	1,889,211
Harmonized Sales Tax ("HST") recoverable	78,839	241,848
Promissory note receivable ⁽ⁱ⁾	1,886,189	2,135,217
Other receivable	58,225	61,826
Balance	3,950,490	4,328,102

- (i) Promissory note receivable is made up of:
 - \$1,753,859 (US\$1,325,368) (July 31, 2019 - \$1,576,427 (US\$1,198,986)) relating to promissory note receivable from Green Therapeutics, LLC ("GTL"). As of January 31, 2020, the Company had advanced a total of US\$90,000 to GTL (Note 25). The promissory notes bear interest of 12% per annum and are due on the earlier of the closing or termination of Membership Interest Purchase Agreement ("MIPA"). The principal of and interest accrued from the promissory notes can also be applied against the purchase price of the MIPA. During the six months ended January 31, 2020, the Company accrued interest of \$112,967 (US\$85,368) (2019 - \$Nil);
 - \$132,330 (US\$100,000) (July 31, 2019 - \$131,480 (US\$100,000)) relating to 10% per annum promissory note receivable from Good Vybes LLC ("Good Vybes") (Note 25); and
 - A total of \$427,310 (US\$325,000) was due from from TKO Products LLC ("TKO") as of July 31, 2019 pursuant to settlement agreement entered in October 2019 which releases all matters including TKO's counterclaim. The Company received US\$325,000 from certain directors in October 2019 in exchange for reassignment of the proceeds of TKO settlement amount to them.
- (ii) During the six months ended January 31, 2020, the Company recorded a provision for trade accounts receivable of \$31,134 (2019 - \$328,550).

6. Deposits

Deposits consists of \$177,163 (US\$133,880) (July 31, 2019 - \$176,025) of security deposits on leased facilities and \$Nil (July 31, 2019 - \$25,563) of refundable deposits.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

7. Inventory

The breakdown of inventory was as follows:

	January 31, 2020	July 31, 2019
	\$	\$
Raw materials	176,066	174,935
Work-in-progress	-	2,245
Finished goods	445,658	2,583,036
Provision	-	(197,220)
Total	621,724	2,562,996

Inventory recognized as cost of goods sold during the six months ended January 31, 2020 was \$7,408,101 (July 31, 2019 - \$9,187,349).

8. Investments

The Company's investments are comprised of the following:

	January 31, 2020	July 31, 2019
	\$	\$
<i>FVTPL</i>		
<i>Harborside Inc.</i>		
26,639 shares (July 31, 2019 - 26,639 shares)	12,626	82,581
<i>Pharmadrug Inc.</i>		
8,453,115 shares (July 31, 2019 - 8,953,115 shares)	211,328	850,565
200,000 warrants (July 31, 2019 - 200,000 warrants)	-	-
Balance	223,954	933,146

For the six months ended January 31, 2020, the Company recognized a net unrealized loss of \$658,693 (2018 – \$98,628) in the change in fair value of investments.

Harborside Inc. ("Harborside")

On September 5, 2018, the Company converted the full amount of its debenture receivable in Lineage into 500,000 Lineage shares valued at \$100,000, and pursuant to the settlement of Royalty payment, the Company was issued 454,545 of Lineage shares valued at \$75,000 on January 25, 2019.

On May 30, 2019, Lineage completed the Reverse Take-Over ("RTO") Transaction with FLRish. The Resulting Issuer changed its name to Harborside Inc. and consolidated its shares. The Company's total shares in Lineage were consolidated and as a result, the Company held 101,939 Harborside shares.

The fair value of Harborside shares held as of January 31, 2020 and July 31, 2019 was determined using the closing share price of Harborside as of January 31, 2020 and July 31, 2019, respectively.

Pharmadrug Inc. ("Pharmadrug")

On June 24, 2019, due to the loss of significant influence in Pharmadrug, the Company reclassified its investments in Pharmadrug to investments carried at FVTPL (Note 11). On the date of remeasurement, the Company held 8,953,115 Pharmadrug shares valued at \$850,565 and 200,000 Pharmadrug warrants valued at \$Nil.

During the six months ended January 31, 2020, the Company sold a total of 500,000 Pharmadrug shares for a gross proceeds of \$39,169, resulting in a realized loss of \$8,331.

The fair value of Pharmadrug shares held as of January 31, 2020 and July 31, 2019 was determined using the closing share price of Pharmadrug as of January 31, 2020 and July 31, 2019, respectively.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

9. Amounts due from Palo Verde LLC

	Proprietary packaging ⁽ⁱ⁾	Promissory note ⁽ⁱⁱ⁾	Total
	\$	\$	\$
Balance at July 31, 2018	-	-	-
Additions	247,304	243,888	491,192
Effect of movement in exchange rates	7,241	7,141	14,382
Provision ⁽ⁱⁱⁱ⁾	(254,545)	(251,029)	(505,574)
Balance at July 31, 2019 and January 31, 2020	-	-	-

(i) Proprietary packaging materials purchased for Palo Verde.

(ii) On June 1, 2018, the Company issued a one-year, 10% commercial promissory note to fund up to US\$300,000. For the six months ended January 31, 2020, the Company advanced a total of \$Nil (2019 - \$32,763).

(iii) An allowance was recorded on account due to collection uncertainties surrounding the Company's recoverability of the amount due from Palo Verde. For the six months ended January 31, 2020, the Company recorded a provision on the amounts due from Palo Verde of \$Nil (2019 - \$49,289).

The Company also had a revolving loan agreement with Palo Verde LLC which was unsecured and bore interest at 10% per annum effective June 1, 2018 (12% prior to June 1, 2018). The maturity date of the loan was June 1, 2023 and Palo Verde was to make agreed upon monthly payments towards deferred lease up to June 1, 2023 with the remaining balance due and payable on the same date. On April 12, 2019, the Company entered into assignment and assumption agreements with High Pita Corporation to sell and assign the balances due on the revolving loan and promissory note of US\$1,384,356 and US\$300,000, respectively, for US\$100 each.

The Company leased the Pueblo property and equipment in Colorado to Palo Verde (Notes 10 and 13). On April 18, 2017, the lease agreement was amended to extend the term to April 17, 2027 and defer payment ("deferred lease") until Palo Verde attains certain gross sales targets. The agreement was further amended on June 1, 2018 to modify monthly lease rates and 10% per interest per annum will be applied on the deferred lease. In addition, Palo Verde shall make agreed upon monthly payments towards the deferred lease up to June 1, 2021 with the remaining balance due and payable on the same date.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. Investment property

	Land	Building	Leasehold Improvement	Total
Cost				
	\$	\$	\$	\$
Balance at July 31, 2018	162,713	989,292	482,086	1,634,091
Additions	-	-	-	-
Effect of movement in exchange rates	1,637	9,956	4,853	16,446
Balance at July 31, 2019	164,350	999,248	486,939	1,650,537
Effect of movement in exchange rates	1,063	6,460	3,148	10,671
Balance at January 31, 2020	165,413	1,005,708	490,087	1,661,208
Accumulated Depreciation				
	\$	\$	\$	\$
Balance at July 31, 2018	-	138,014	59,284	197,298
Depreciation	-	33,960	49,572	83,532
Effect of movement in exchange rates	-	1,199	366	1,565
Balance at July 31, 2019	-	173,173	109,222	282,395
Depreciation	-	16,492	24,767	41,259
Effect of movement in exchange rates	-	1,118	704	1,822
Balance at January 31, 2020	-	190,783	134,693	325,476
Net Book Value				
	\$	\$	\$	\$
Balance at July 31, 2018	162,713	851,278	422,802	1,436,793
Balance at July 31, 2019	164,350	826,075	377,717	1,368,142
Balance at January 31, 2020	165,413	814,925	355,394	1,335,732

The property is located in Pueblo West, Colorado ("Pueblo") and is leased to Palo Verde (Note 9). The fair value of the investment property as at January 31, 2020 and July 31, 2019 exceeded its carrying value.

11. Investments in associate and joint venture

NHMD

Pursuant to the restated joint venture letter agreement entered on April 4, 2016 between the Company and ILDISP, LLC ("ILDISP"), ILDISP acquired a 50% interest and equal control in NHMD, formerly wholly-owned subsidiary of the Company, on September 17, 2016. The Company had accounted for its investment in the joint venture using the equity method. Since September 2016, NHMD operates The Clinic Effingham, a retail medical cannabis dispensary, in Effingham, Illinois. The Company sold its 50% membership interest in NHMD to ILDISP in October 2018 for gross proceeds of \$4,599,700 (US\$3,500,000) and as a result, the Company recognized a gain on the sale of \$3,706,003. For the six months ended January 31, 2019, the Company recognized its share of NHMD's income up to the date of sale of \$163,661.

Pharmadrug Inc.

Pharmadrug is engaged in the building of an international network of vertically integrated cannabis assets and is targeting a downstream business in the legalized medical marijuana sector in the European and Israeli markets.

On November 14, 2016, Pharmadrug 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 Pharmadrug's units at the conversion price of \$0.05. Each of Pharmadrug's units comprise of one Pharmadrug common share and one-half Pharmadrug warrant, with each full warrant exercisable, until the earlier of 5 years from the date of issuance or 2 years from the date of listing of Pharmadrug shares on the CSE, into one Pharmadrug's common share at the exercise price of \$0.075. As consideration for the promissory note, Pharmadrug issued 4,000,000 common shares to the Company.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

On August 9, 2018, the Company invested \$98,000 for 200,000 units of Pharmadrug. Each unit comprises one common share and one warrant exercisable at \$0.75 for a period of 24 months from closing. On December 3, 2018, the Company converted US\$120,000 of the promissory note and the interest accrued into 4,028,272 Pharmadrug units which are comprised of 4,028,272 Pharmadrug common shares and 2,014,136 Pharmadrug warrants. Following the conversion, the Company exercised the 2,014,136 warrants at the exercise price of \$0.075.

For the six months ended January 31, 2019, the Company recorded a loss from Pharmadrug of \$249,060. On June 24, 2019, as a result of loss of significant influence in Pharmadrug, the Company discontinued the use of the equity method and reclassified its investment as FVTPL investments.

12. Intangible assets and goodwill

Purple Haze

On June 5, 2015, the Company entered into an agreement with Purple Haze Properties LLC ("PHP") for the exclusive right to manufacture and distribute cannabis 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 of the outcome of the Complaint, the Company had written the license and prepaid royalty down to \$1 in 2017. On January 25, 2018, the parties entered into a license agreement addendum ("Addendum") whereby, the third (2017) and fourth (2018) annual fees are to be satisfied through the payment of \$340,869 (US\$265,000) (paid) in cash and issuance of 750,000 common shares (issued), respectively. The payments were expensed and recorded in the consolidated statement of loss and comprehensive loss.

As per the terms of the Addendum, one-half (50%) of all common share issuances and 100% of monetary royalties shall be placed in a litigation escrow account ("Escrow account") for contingencies until the sum of \$2,646,600 (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 at January 31, 2020, no actions have been brought against the Company in relation to the Licensing Agreement with PHP.

As at January 31, 2020, the Company has included the fifth and final license and royalty fee ("final fee") of \$330,825 (US\$250,000) in the account payable and accrued liabilities. Due to the license and legal concerns, the Company is in disagreement and disputing the payment of the final fee.

Cost	Licenses, Management agreement	Trade name and IP	Proprietary data	Customer relationships	Total Intangible assets	Goodwill	Total of Intangible assets and Goodwill
	\$	\$	\$	\$	\$	\$	\$
Balance at July 31, 2018	4,257,494	867,631	78,435	1,295,502	6,499,062	4,702,416	11,201,478
Additions	5,251,864	-	-	-	5,251,864	-	5,251,864
Reversals	(400,000)	-	-	-	(400,000)	-	(400,000)
Impairment	(7,873,361)	(471,951)	-	(393,800)	(8,739,112)	(3,202,008)	(11,941,120)
Effect of movement in exchange rate	51,345	3,556	(7,422)	7,334	54,813	73,230	128,043
Balance at July 31, 2019	1,287,342	399,236	71,013	909,037	2,666,627	1,573,638	4,240,264
Additions	-	-	-	-	-	-	-
Reversal	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Effect of movement in exchange rate	7,895	2,610	508	5,893	16,906	10,175	27,081
Balance at January 31, 2020	1,295,237	401,846	71,521	914,930	2,683,533	1,583,813	4,267,345

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Accumulated Amortization	Licenses, Management agreement	Trade name and IP	Proprietary data	Customer relationships	Total Intangible assets	Goodwill	Total of Intangible assets and Goodwill
	\$	\$	\$	\$	\$	\$	\$
Balance at July 31, 2018	2,577	31,278	6,088	70,634	110,577	-	110,577
Additions	10,307	126,680	15,822	553,596	706,405	-	706,405
Impairment	-	(47,196)	-	(98,450)	(145,646)	-	(145,646)
Effect of movement in exchange rate	-	33,940	(49)	66,996	100,887	-	100,887
Balance at July 31, 2019	12,884	144,701	21,862	592,776	772,223	-	772,223
Additions	5,154	40,638	7,910	229,424	283,126	-	283,126
Impairment	-	-	-	-	-	-	-
Effect of movement in exchange rate	-	707	137	4,000	4,844	-	4,844
Balance at January 31, 2020	18,038	186,046	29,909	826,200	1,060,193	-	1,060,193

Net Book Value	Licenses, Management agreement	Trade name and IP	Proprietary data	Customer relationships	Total Intangible assets	Goodwill	Total of Intangible assets and Goodwill
	\$	\$	\$	\$	\$	\$	\$
Balance at July 31, 2018	4,254,917	836,353	72,347	1,224,868	6,388,485	4,702,416	11,090,901
Balance at July 31, 2019	1,274,458	254,535	49,151	316,261	1,894,404	1,573,638	3,468,041
Balance at January 31, 2020	1,277,199	215,800	41,612	88,730	1,623,340	1,583,813	3,207,152

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

13. Capital Assets

Cost	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Office Furniture	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2018	211,746	1,342,777	895,558	3,997,330	-	136,468	13,228	6,597,107
Additions	-	2,600	716,874	1,271,441	-	196,345	10,462	2,197,722
Additions - sale and leaseback	-	-	-	2,082,817	-	-	-	2,082,817
Dispositions - sale and leaseback	-	-	-	(2,153,760)	-	-	-	(2,153,760)
Dispositions - sale of property	-	(1,036,776)	-	-	-	-	-	(1,036,776)
Impairment	-	-	-	(2,089,722)	-	-	-	(2,089,722)
Effect of movement in exchange rates	2,131	25,925	(4,648)	58,602	-	(1,177)	15	80,847
Balance at July 31, 2019	213,877	334,526	1,607,784	3,166,710	-	331,638	23,705	5,678,240
Transfer on adoption of IFRS 16	-	-	-	(1,942,747)	1,942,747	-	-	-
Additions	-	-	46,194	14,681	2,397,711	122,025	-	2,580,611
Effect of movement in exchange rates	2,058	2,163	10,377	8,537	10,695	2,117	154	36,100
Balance at January 31, 2020	215,935	336,689	1,664,355	1,247,181	4,351,153	455,780	23,859	8,294,952

Accumulated Depreciation	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Office Furniture	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2018	-	-	-	192,307	-	5,610	2,075	199,992
Additions	-	11,076	350,333	849,617	-	39,764	4,492	1,255,282
Dispositions - sale and leaseback	-	-	-	(209,643)	-	-	-	(209,643)
Impairment	-	-	-	(263,952)	-	-	-	(263,952)
Effect of movement in exchange rates	-	(91)	(3,023)	(35,335)	-	(132)	114	(38,467)
Balance, July 31, 2019	-	10,985	347,310	532,998	-	45,242	6,681	943,212
Transfer on adoption of IFRS 16	-	-	-	(326,120)	326,120	-	-	-
Additions	-	6,448	260,954	126,473	559,290	58,610	3,970	1,015,745
Effect of movement in exchange rates	-	82	2,688	1,335	987	420	50	5,562
Balance at January 31, 2020	-	17,515	610,952	334,686	886,397	104,272	10,701	1,964,523

Net Book Value	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Office Furniture	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2018	211,746	1,342,777	895,558	3,805,023	-	130,858	11,153	6,397,115
Balance, July 31, 2019	213,877	323,541	1,260,474	2,633,714	-	286,394	17,024	4,735,024
Balance at January 31, 2020	215,935	319,174	1,053,403	912,495	3,464,756	351,508	13,158	6,330,429

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

14. Accounts payable and accrued liabilities

The breakdown of the accounts payable and accrued liabilities balance is as follows:

	January 31, 2020	July 31, 2019
	\$	\$
Trade accounts payable	7,445,066	3,757,010
Payroll tax payable	162,728	825,819
Excise tax payable	2,768,281	2,778,900
Other payable and accrued liabilities	535,267	2,783,730
Balance	10,911,342	10,145,459

15. Promissory Note Payable

Pueblo, Colorado

On April 18, 2018, the Company amended the refinancing arrangement of its Pueblo, Colorado property in the amount of US\$800,000 entered initially in April 2016, and amended in April 2017, to extend for an additional twelve months to April 18, 2019. 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. The Company recorded a loss on extinguishment of promissory note of \$102,198.

On April 18, 2019, the Company amended the terms of the loan to extend US\$400,000 of the loan, for an additional 6 months to October 18, 2019 for an extension fee of \$16,108 (US\$12,000), bearing interest at 16% per annum payable monthly and to extend the remaining US\$400,000 of the loan, for 30 days along with a fee of US\$40,000. The Company repaid US\$100,000 in principal in October 2019 and November 21, 2019, the lender sold the remaining principal balance of US\$300,000 to Adam Szweras, CEO and director the Company ("Adam Szweras") in exchange for settlement of payment in the same amount (Note 17).

For the six months ended January 31, 2020, the Company recorded accretion expense of \$32,841 (2019- \$86,951) which is included within finance costs.

The breakdown of the promissory note balance is as follows:

	January 31, 2020	July 31, 2019
	\$	\$
Opening balance	525,920	1,421,816
Extinguishment of promissory note	(526,280)	(1,051,932)
Deferred financing costs	-	23,440
Finance costs	32,841	243,760
Interest paid	(32,841)	(124,909)
Effect of movement in exchange rates	360	13,745
Ending balance	-	525,920

16. Lease Obligations

On August 1, 2018, the Company entered into an equipment sale leaseback line of credit agreement (the "sale leaseback agreement") with a lender for up to US\$2,000,000 for a three-year term with fixed monthly lease rental payments. The Company may extend the lease term for a minimum of twelve months. At the end of the lease term, the Company has the option to purchase all equipment for the then fair market value which shall not exceed 20% of the cost. During the six months ended January 31, 2020, the Company paid a total lease payment of \$416,204 (US\$315,617) and recorded a total interest expense of \$59,585.

As at January 31, 2020, the Company has drawn down a total of \$2,051,253 (US\$1,550,104) from the equipment sale leaseback line of credit. Pursuant to the agreement, the Company issued a total of 553,609 common share purchase warrants to the lender. Each warrant entitles the lender to purchase one common share at a price of \$0.70 per share for a period of 24 months from the date of issuance.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

The below table is a reconciliation of the lease commitments disclosed at July 31, 2019 in the Company's consolidated financial statements and the lease liability recognized as a result of the adoption of IFRS 16 on August 1, 2019. When measuring the value of the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at August 1, 2019. The weighted average rate applied was 8.01%.

	\$
Operating lease commitments at July 31, 2019	1,433,952
Deemed to be leases at August 1, 2019	1,477,013
Discounted value using the incremental borrowing rate at August 1, 2019	2,497,110
Add: Finance lease recognized as at July 31, 2019	2,269,298
Lease liability recognized at August 1, 2019	4,766,408
Current portion	1,538,884
Long-term portion	3,227,524

Future minimum lease payments payable are as follows:

	January 31, 2020	July 31, 2019
	\$	\$
Less than 1 year	2,001,484	1,249,196
1-5 years	2,661,609	1,471,358
More than 5 years	-	-
Total future minimum lease payments	4,663,093	2,720,554
Less: amount representing interest	679,522	451,256
Present value of minimum lease payments	3,983,571	2,269,298
Less: current portion	1,625,204	946,128
Non-current portion	2,358,367	1,323,170

17. Convertible debentures

March 2018 Convertible debentures

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

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 an additional 190 Units. In addition, the Agents received 1,066,666 warrant units ("Agents' Units"). Each Agents' Unit is 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 is exercisable for a period of 2 years following Closing at an exercise price of \$0.70 per share.

The convertible debentures are compound financial instruments. On initial recognition, the residual value 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 transaction costs of \$1,866,327 have been allocated proportionately to the equity and liability components.

Certain terms of the convertible debentures were amended on December 30, 2019 as follows:

1. A reduction in the conversion price from \$0.60 to \$0.15 until maturity of the debentures; and
2. The Company is authorized to pay the interest due on the debentures in cash at the existing rate of 10% per annum, or through the issuance of its common shares at a rate of 14% per annum, at the sole discretion of

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

the Company. Such issuance of common shares will be set at a price which is equal to the weighted average closing price for the common shares during the twenty (20) trading day period ending on the last complete trading day, five (5) days prior to the date upon which interest is due on the debentures.

The Company elected to pay interest due on December 31, 2019 in common shares, resulting in issuance of 12,619,444 common shares.

As at January 31, 2020, the convertible debentures holders have converted a combined total of \$322,000 principal amount of convertible debentures resulting in the issuance of 536,664 common shares.

For the six months ended January 31, 2020, the Company recorded accretion expense on the convertible debentures of \$653,808 (2019 - \$611,462) which is included within finance costs in the condensed interim consolidated statements of loss and comprehensive loss.

August 2018 Convertible debentures

On August 3, 2018, the Company issued 4,200 Convertible Debentures Units (the "Units") for aggregate proceeds of \$4,200,000. Each Unit consists of \$1,000 principal amount of 10% senior secured convertible debentures and 1,429 common share purchase warrants of the Company payable semi-annually. The convertible debentures mature on August 7, 2021.

The debentures are convertible into common shares at a conversion price of \$0.70 per share. Each warrant is exercisable to acquire one common share for a period of 36 months following closing at an exercise price of \$0.80 per share.

The interest is payable in cash or by issuing common shares against the amount due at the sole option of the Company. If the Company elects to issue the common shares as interest payment, the price per common share shall equal the 20-day volume-weighted average price (VWAP), and the effective interest rate shall be increased to 12% from 10%.

The convertible debentures are secured by the assets of the Company and its subsidiaries, subject to subordination in certain situations. The Company paid finder's a cash commission of \$336,000, of which \$42,000 was paid to FMI Capital Advisory Inc., a related party (Note 21). Additionally, the Company issued 480,000 finder's options, valued at \$162,696, to acquire finder units exercisable at a price of \$0.70 per Finder Unit for a term of 24 months following the closing date. Each Finder Unit will be comprised of one common share and one Finder Warrant, with each Finder Unit Warrant entitling the holder to acquire one additional common share at 0.80 per share.

If the Company undertakes an equity financing at a price per common share of less than \$0.45 per common share while the convertible debentures are outstanding, the conversion price of the convertible debentures will be reduced to the new financing price and the warrant exercise price will be reduced to a price that is 20% premium to the new financing price, subject to compliance with applicable securities laws and stock exchange rules. If the common shares trade at a VWAP under \$0.25 for a period of 50 consecutive trading days while the convertible debentures are outstanding, the conversion price shall be reduced to \$0.30. In accordance with IFRS, the conversion feature of the convertible debenture and warrants meet the definition of a derivative liability as certain events will result in adjustment to the conversion price. As of January 31, 2020, the conversion price of the convertible debentures and warrants exercise price were \$0.05 (July 31, 2019 - \$0.20) and \$0.06 (July 31, 2019 - \$0.24), respectively.

Consequently, on issuance, the convertible debentures were split amongst the financial liability, the conversion feature and warrants. The financial liability portion was determined by subtracting issuance costs and the fair value of the conversion feature and warrants from the principal of the debentures. The fair value of the equity conversion feature and warrants are calculated using the Black-Scholes pricing model and re-measured each reporting period with changes between periods recognized in the consolidated statements of loss and comprehensive loss. Expected volatility used is based on the Company's share price volatility over the relevant period to expiry. The financial liability portion is measured at amortized cost and accreted such that the carrying amount of the convertible debentures will equal the face value of the convertible debenture at maturity.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

On initial recognition, the fair value of the derivative liability components was valued first at \$2,600,979 and the residual of \$1,599,021 was allocated to the non-derivative host debenture. Total transaction costs of \$691,420 have been allocated proportionately to the derivative liability and debenture components. Transaction costs allocated to the derivative liability of \$428,183 was immediately expensed in the statement of loss and comprehensive loss. Changes in the fair value of the derivative liability are recognized at fair value through profit and loss. For the six months ended January 31, 2020, the Company recognized an unrealized loss on the change in fair value of the derivative liabilities of \$1,479,044 (2019 - \$1,177,531).

As of January 31, 2020, a combined total of \$418,470 principal amount of convertible debentures has been converted resulting in the issuance of a total of 5,020,482 common shares.

For the six months ended January 31, 2020, the Company recorded accretion expense on the convertible debentures of \$596,947 (2019 - \$445,271) which is included within finance costs.

August 2019 Convertible debentures

On August 23, 2019, the Company issued a non-brokered private placement comprised of 1,807 secured convertible debenture units (the "Debenture Units") a price of \$1,000 per Debenture Unit for an aggregate principal amount of \$1,807,000.

Each Convertible Debenture Unit is comprised of a \$1,000 principal amount 9% subordinate secured convertible debenture and 5,000 common share purchase warrants. Each common share purchase warrant is exercisable into a common share of the Company at a price of \$0.24 for 36 months from the date of issuance. The Convertible Debentures are convertible into common shares at a price of \$0.20 per share at any time prior to maturity date.

The convertible debentures are secured by a security agreement. The interest can be paid in cash or by issuing common shares against the amount due at the sole option of the Company, payable semi-annually in arrears. The Company paid a finder a cash fee of \$80,700 and issued 403,500 finder compensation options (each, a "Finder Option"). Each Finder Option entitles the holder thereof to purchase one finder unit (each, a "Finder Unit") consisting of one common share and one warrant of the Company with exercise of \$0.20 per Finder Unit for a period of 24 months from the date of issuance.

The Company has applied the residual value method to allocate the fair value of the debt and equity components of the convertible debentures. The fair value of the liability was calculated as \$1,374,152 using a discount rate of 20%. The residual proceeds of \$432,848 were allocated between warrants and conversion option on a pro-rata basis relative to their fair values. Total transaction costs of \$199,672 have been allocated proportionately to the equity and liability components. A deferred tax charge of \$102,030 was applied to the conversion feature and a net amount of \$94,520 was recorded within equity.

For the six months ended January 31, 2020, the Company recorded accretion expense on the convertible debentures of \$135,177 which is included within finance costs.

The following is a summary of the convertible debenture liability activity:

	January 31, 2020	July 31, 2019
	\$	\$
Balance, beginning of period/year	7,547,996	5,136,061
Issuance of convertible debentures	1,807,000	4,200,000
Conversion of principal debenture	(584,690)	(375,470)
Unamortized present value discount and transaction costs	(391,310)	(263,237)
Estimated fair value of derivative liability on date of issuance	-	(2,600,979)
Discount amortized	1,290,937	1,451,621
Balance, end of period/year	9,669,933	7,547,996

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

The changes to the embedded derivative liabilities are as follows:

	\$
Balance, July 31, 2019	1,909,910
Derecognition of derivative liabilities on conversion	(45,109)
Estimated fair value changes of derivative liabilities during the period	(1,479,044)
Balance, January 31, 2020	385,757

The Company used the Black-Scholes valuation model to estimate the fair value of the derivative liabilities upon the initial measurement and as at January 31, 2020 and July 31, 2019 using the following assumptions:

	January 31, 2020	July 31, 2019
Risk-free interest rate	1.55%-1.85%	1.57%-2.34%
Expected dividend yield	0%	0%
Expected stock price volatility	117-154%	94-135%
Expected life of debentures	0.5-1.5 years	1-3 years
Forfeiture Rate	0%	0%

18. Share capital

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

	Number of Shares	Amount
Balance, July 31, 2018	291,072,738	\$ 22,204,166
Issued on exercise of warrants	1,689,476	613,207
Issued on exercise of options	1,898,711	252,238
Issued pursuant to Calyx acquisition (vii)	1,968,945	536,460
Issued pursuant to Pasa Verde acquisition (vi) (ix)	163,339	51,631
Shares for debt settlement (viii)	364,035	81,908
Issued for services (ix)	883,334	235,000
Issued on conversion of debentures (x)	989,332	262,059
Shares issued pursuant to Moses Garden acquisition (xi)	16,832,358	4,482,198
Shares issued as interest payment on convertible debentures (xii)	2,362,046	453,913
Shares purchased by a third party (xiv)	3,094,560	538,866
Private placements (ix) (xv)	33,882,650	4,310,395
Balance, July 31, 2019	355,201,524	\$ 34,022,041
Issued on exercise of warrants	2,000,000	97,977
Shares issued pursuant to Moses Garden acquisition (i)	4,331,711	659,050
Shares for debt settlements (ii)	1,864,235	251,791
Issued for services (iii)	1,050,000	116,026
Shares issued as interest payment on convertible debentures (iv)	20,002,646	853,618
Issued on conversion of debentures (v)	4,401,148	185,755
Balance, January 31, 2020	388,851,264	\$ 36,186,258

Six months ended January 31, 2020

- (i) On September 11, 2019, the Company issued 4,331,711 common shares to Moses Garden LLC (Note 4), valued at \$659,050 representing the final consideration of assets acquisition completed on January 3, 2019 (Note 4). The common shares were valued using the Company's share price on the date of issuance.
- (ii) On September 16, 2019, the Company issued 921,377 common shares to settle outstanding debt owing to vendors in the amount of \$184,275. A gain of \$64,496 was recognized on the settlement of this debt. The 921,377 common shares were valued at \$119,779 based on the share price on the date of issuance.

On October 16, 2019, the Company issued 942,858 common shares to a creditor pursuant to a settlement agreement entered on September 4, 2019. A gain of \$4,725 was recognized on the settlement of \$132,010 (US\$100,000). The 942,858 common shares were valued at \$127,286 based on the share price on the date of issuance.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

(iii) On October 15, 2019, the Company issued 1,050,000 common shares valued at \$116,028 to Golden Triangle Health Company Ltd. ("Golden Triangle") as consideration of entering into a five-year binding framework agreement to manufacture and distribute branded products in North America with Golden Triangle. The fair value of the common shares was determined based on the fair value of the Company's share price on the date of issuance.

(iv) The Company issued a total of 20,002,646 common shares to the holders of the March 2018, August 2018 and August 2019 convertible debentures in December 2019, representing interest payment from July to December 2019.

(v) During the six months ended January 31, 2020, March 2018 convertible debentures of \$25,000 (Note 17) were converted to 41,666 common shares at a price of \$0.60 per share.

During the six months ended January 31, 2020, August 2018 convertible debentures of \$240,000 (Note 17) were converted to 4,359,482 common shares at price ranges from \$0.05 to \$0.20 per share.

Year ended July 31, 2019

(vi) On August 10, 2018, the Company issued 123,782 common shares to FMI Capital Advisory Inc., a related party, valued at \$43,324 as a finders' fee pursuant to the acquisition of Pasa Verde.

(vii) On September 28, 2018, the Company issued 486,500 common shares to shareholders of Calyx (Note 3), valued at \$145,960 based on the share price on the date of issuance. On April 22, 2019, 1,482,445 common shares valued at \$390,510 (US\$300,000) were issued to Calyx's shareholders.

(viii) On November 21, 2018, the Company issued 364,035 units valued at \$96,932 to settle outstanding debt owing to a vendor in the amount of \$216,319 (US\$163,816). Each unit is comprised of one common share and one-half warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.80 per share for a period of 24 months from issuance. A gain of \$119,387 was recognized on the settlement of this debt. The 364,035 common shares were valued at \$81,908 based on the share price on the date of issuance. The 182,018 warrants were issued on December 6, 2018, and valued at \$15,024 using the Black-Scholes Model with the following assumptions: share price of \$0.225, expected dividend yield of 0%, expected volatility of 123%, risk-free interest rate of 2.24%, and an expected life of 2 years;

(ix) During the year ended July 31, 2019, the Company issued the following common shares as compensation for services received:

- On December 12, 2018, 50,000 common shares valued at \$10,000;
- On February 28, 2019, 133,334 common shares valued at \$36,000; and
- On March 14, 2019, 700,000 common shares valued at \$189,000

The common shares were valued using the Company's share price on the date of issuance.

(x) For the year ended July 31, 2019, March 2018 convertible debentures of \$197,000 (Note 17) were converted to 4,401,148 common shares at a price of \$0.60 per share.

For the year ended July 31, 2019, August 2018 convertible debentures of \$178,470 (Note 17) were converted to 661,000 common shares at a price of \$0.27 per share.

(xi) On January 4, 2019, the Company issued 13,432,098 common shares to Moses Garden LLC (Note 4), valued at \$3,828,148. Additionally, on July 9, 2019, the Company issued an additional 3,400,260 common shares to Moses Garden, valued at \$650,050 representing the purchase payment due six months after closing date. The common shares were valued using the Company's share price on the date of issuance.

(xii) The Company issued a total of 2,362,046 common shares to the holders of the August 2018 convertible debentures (Note 17) in January and July 2019, representing the 12% interest payment from August 3, 2018 to June 30, 2019.

(xiii) On March 14, 2019, the Company issued 5,000,000 common shares at \$0.27 per share for gross proceeds of \$1,350,000 through a non-brokered private placement. A referral fee of \$27,000 and 100,000 common shares, valued at \$27,000, was paid to a third party in connection with the completion of the private placement.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

- (xiv) On May 21, 2019, the Company issued 3,134,117 common shares pursuant to the settlement agreement in connection with acquisition of Pasa Verde, in exchange for the return of 3,094,560 common shares previously issued and held in escrow. The net additional shares of 39,557 issued were valued at \$8,307 based on the share price on the date of issuance. A third party purchased the returned 3,094,560 common shares for gross proceeds of \$538,866.
- (xv) On May 29, 2019, the Company closed a brokered private placement pursuant to which the Company issued 18,117,000 units of the Company at a price of \$0.20 per Unit, for gross proceeds of \$3,623,400 (the "Brokered Offering"). Concurrently with the Brokered Offering, the Company closed the first tranche of non-brokered private placement of 7,670,000 Units at a price of \$0.20 per unit, for gross proceeds of \$1,534,000.

On July 24, 2019, the Company closed the second tranche of the non-brokered private placement of 2,995,650 units of the Company at a price of \$0.20 per Unit, for gross proceeds of \$599,130.

Each Unit consists of one common share of the Company, and one Warrant. Each Warrant entitles the holder thereof to purchase one Unit, at a price per of \$0.30 per Unit, for a period of 36 months after May 29, 2019 (the "Closing Date"). In connection with the Brokered Offering, the Agents received (i) an aggregate cash commission of \$289,872, (ii) compensation options to purchase up to 1,449,360 Units, at a price of \$0.20 per Unit, for a period of 36 months following the Closing Date and (iii) 145,000 advisory warrants to purchase up to 145,000 Units at a price of \$0.20 per Unit, for a period of 36 months following the Closing Date. The Company paid a finder a cash fee of \$100,300 and issued a finder's warrant to purchase up to 501,500 Units at a price of \$0.20 per Unit, for a period of 36 months following the Closing Date.

19. Reserve for share based payments

	Amount
Balance, July 31, 2018	\$ 2,093,669
Options Granted	1,436,308
Options Exercised	(58,656)
Options Forfeited	(113,246)
Balance, July 31, 2019	\$ 3,358,075
Options Granted	541,452
Options Forfeited	(46,157)
RSUs Granted	703,532
Balance, January 31, 2020	\$ 4,556,902

Options

The Company has an incentive stock option plan ("the Option Plan") whereby non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. The Option Plan provides the issuance of up to 10% of the total issued and outstanding common shares less the number of common shares reserved for issuance of Restricted Share Units.

As of January 31, 2020, the Company has a total of 9,377,867 available common shares reserved for options and RSUs.

The following is a summary of outstanding stock options for the six months ended January 31, 2020 and year ended July 31, 2019:

	Number of Options
Balance, July 31, 2018	19,946,228
Options Granted (iii)(iv)(v)(vi)(vii)(viii)(ix)(x)	3,930,000
Options Exercised	(1,898,711)
Options Forfeited	(1,958,333)
Options Expired	(1,631,667)
Balance, July 31, 2019	18,387,517
Options Granted (i)(ii)	10,200,000
Options Forfeited	(5,783,333)
Options Expired	(116,667)
Balance, January 31, 2020	22,687,517

* Amount includes share-based payments for stock options granted in the prior years and vested during the year.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Six months ended January 31, 2020

- (i) On August 12, 2019, 9,700,000 options valued at \$598,122 were granted to directors, officers, employees and consultants of the Company. The options are exercisable into common shares of the Company at a price of \$0.20 per common share for a period of 5 years from the date of issuance. The options vest one-third every six months from the date of issuance.
- (ii) On October 12, 2019, 500,000 options valued at \$35,166 were granted to an employee of the Company. The options are exercisable into common shares of the Company at a price of \$0.20 per common share for a period of 5 years, vesting every four months over 18 months until fully vested.

Year ended July 31, 2019

- (iii) On August 14, 2018, 730,000 options valued at \$57,695 were granted to employees and consultants of the Company. The options are exercisable at a price of \$0.35 per common share, for a period of 5 years from issuance. The options vest one-third every six months from the date of issuance.
- (iv) On August 14, 2018, 100,000 options valued at \$25,085 were granted to a consultant of the Company. The options are exercisable at a price of \$0.35 per common share, for a period of 5 years from issuance. The options vest 50% every six months from the date of issuance.
- (v) On December 6, 2018, 750,000 options valued at \$94,763 were granted to employees and consultants of the Company. The options are exercisable at a price of \$0.30 per common share, for a period of 5 years from issuance. The options vest one-third every six months from the date of issuance.
- (vi) On December 6, 2018, 650,000 options valued at \$51,224 were granted to employees and consultants of the Company. The options are exercisable at a price of \$0.30 per common share, for a period of 2 years from issuance. The options vest one-third every six months from the date of issuance.
- (vii) On January 7, 2019, 300,000 options were issued to a former officer of the Company to replace 300,000 options granted on February 21, 2019 and an additional value of \$6,997 was recognized on issuance. The options are exercisable at a price of \$0.30 per common share, for a period of 2 years from issuance and vest immediately.
- (viii) On January 30, 2019, 500,000 options valued at \$89,339 were granted to an employee and a consultant of the Company. The options are exercisable at a price of \$0.30 per common share, for a period of 2 years from issuance. The options vest one-third every six months from the date of issuance.
- (ix) On March 14, 2019, 650,000 options valued at \$146,520 were granted to employees and consultants of the Company. The options are exercisable at a price of \$0.30 per common share, for a period of 5 years from issuance. The options vest one-third every six months from the date of issuance.
- (x) On April 12, 2019, 250,000 options valued at \$33,142 were granted to a consultant of the Company. The options are exercisable at a price of \$0.30 per common share, for a period of 1.5 years from issuance. The options vest immediately upon granting.

In connection to the options granted to employees, directors and consultants during the six months ended January 31, 2020 and year ended July 31, 2019, 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.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

The estimated fair value of options granted during the six months ended January 31, 2020 and years ended July 31, 2019 were determined using the Black-Scholes option pricing model with the following assumptions:

	January 31, 2020	July 31, 2019
Risk-Free Interest Rate	1.20%-1.53%	1.63%-2.23%
Expected Dividend Yield	0%	0%
Expected Stock Price Volatility	126%-128%	122%-144%
Expected Life of Options	5 years	1.5-5 years
Forfeiture Rate	0%	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 the Company where sufficient historical data exists or that 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 January 31, 2020, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 18, 2020	\$0.10	1,000,000	1,000,000
June 10, 2020	\$0.10	400,000	400,000
October 12, 2020	\$0.30	250,000	250,000
December 6, 2020	\$0.30	650,000	433,334
December 21, 2020	\$0.075	350,000	350,000
January 7, 2021	\$0.30	300,000	300,000
January 30, 2021	\$0.30	450,000	150,000
October 17, 2021	\$0.135	1,300,000	1,300,000
April 17, 2022	\$0.15	2,900,000	2,900,000
April 17, 2022	\$0.15	1,100,000	1,100,000
July 10, 2022	\$0.12	200,000	200,000
October 30, 2022	\$0.13	257,517	257,517
February 21, 2023	\$0.50	200,000	200,000
March 15, 2023	\$0.51	650,000	487,500
May 8, 2023	\$0.36	2,800,000	2,800,000
August 14, 2023	\$0.35	80,000	26,667
December 6, 2023	\$0.30	350,000	233,333
March 14, 2024	\$0.30	450,000	150,000
August 12, 2024	\$0.20	8,500,000	-
October 22, 2024	\$0.20	500,000	-
		22,687,517	12,538,351

As at January 31, 2020, the weighted average exercise price of options exercisable was \$0.225 (July 31, 2019 - \$0.192), the weighted average exercise price of options outstanding was \$0.220 (July 31, 2019 - \$0.217) and the weighted average remaining contractual life of stock options was 3.11 years (July 31, 2019 - 2.65 years). For the six months ended January 31, 2020, the weighted average exercise price of stock options exercised was \$Nil (2018 - \$0.105).

Restricted Share Units ("RSUs")

On July 11, 2018, the Board resolved the Restricted Share Unit Plan (the "RSU Plan"), whereby RSUs may be granted to directors, officers, employees or consultants at the discretion of the Board of Directors. An RSU is a unit representing the right to one common share of the Company upon vesting and redeemable in common share or cash equal to the vesting date value, at the option of the Company. The RSU plan provides the issuance of up to 5% of the total issued and outstanding common shares. The maximum number of common shares reserved for issuance for options and RSUs that may be granted is 10% of the total issued and outstanding common shares.

The fair value of the RSUs awarded shall be calculated at the closing market price on the CSE of the common shares on the date of the grant. The fair value is expensed over the vesting period, as established from time to time by the

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Board of Directors.

	Number of RSUs	Grant date fair value
Balance, July 31, 2018 and 2019	-	\$ -
RSUs granted	6,969,742	\$ 0.16
RSUs cancelled	(150,000)	\$ 0.16
Balance, January 31, 2020	6,819,742	\$ 0.16

20. Reserve for warrants

The following table reflects the continuity of warrants:

	Number of Warrants	Amount
Balance, July 31, 2018	22,123,226	\$ 2,261,831
Warrants pursuant to convertible debenture (Note 17)	6,481,800	-
Warrants pursuant to sale and leaseback (Note 16)	553,609	63,424
Warrants pursuant to debt settlement (Note 18)	182,018	15,024
Warrants issued pursuant to private placements (Note 18)	30,878,510	2,141,578
Warrants issued	511,180	-
Warrants exercised	(2,602,519)	(379,990)
Warrants expired	(229,157)	-
Balance, July 31, 2019	57,898,667	\$ 4,101,867
Warrants issued pursuant to convertible debenture (Note 17)	9,438,500	272,003
Warrants exercised	(3,333,334)	(97,977)
Warrants expired	(1,750,000)	-
Balance, January 31, 2020	62,253,833	\$ 4,275,893

The estimated fair value of warrants issued during the six months ended January 31, 2020 and year ended July 31, 2019 was determined using the Black-Scholes option pricing model with the following assumptions:

	January 31, 2020	July 31, 2019
Risk-Free Interest Rate	1.32%	1.41%-2.35%
Expected Dividend Yield	0%	0%
Expected Stock Price Volatility	123%	123-135%
Expected Life of Warrants	3 years	2 – 3 years

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

As at January 31, 2020, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants Outstanding and Exercisable
March 15, 2020	\$0.60	13,336,000
March 15, 2020	\$0.60	1,066,666
March 15, 2020	\$0.70	316,730
August 3, 2021	\$0.80	6,001,800
August 3, 2020	\$0.80	480,000
November 7, 2020	\$0.70	264,689
November 12, 2020	\$0.70	156,574
December 6, 2020	\$0.80	182,018
January 24, 2022	\$0.70	132,346
May 29, 2022	\$0.30	25,787,000
May 29, 2022	\$0.30	2,033,860
July 24, 2022	\$0.30	2,995,650
July 24, 2022	\$0.20	62,000
August 23, 2022	\$0.20	9,035,000
August 23, 2022	\$0.20	403,500
		62,253,833

As at January 31, 2020, the weighted average exercise price of the warrants was \$0.362 (July 31, 2019 - \$0.372) and the weighted average remaining contractual life of the warrants was 1.74 years (July 31, 2019 - 1.931 years). During the six months ended January 31, 2020, the weighted average exercise price of the warrants exercised was \$1.67 (July 31, 2019 - \$0.195).

21. 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.

The following is a summary of the related party transactions, including the key management compensation for the six months ended January 31, 2020 and 2019:

- a. Incurred professional fees of \$62,015 (2019 - \$96,919) from Branson Corporate Services ("BCS") and consulting fees of \$113,091 (2019 - \$138,580) from FMI Capital Advisory Inc. ("FMICA"). BCS is a company in which Foundation Financial Holdings Corp. ("FFHC") and Adam Szweras have a 60% and 15% ownership interest respectively. FMICA is a subsidiary of FFHC, an entity in which Adam Szweras is a director and whereas his children hold an indirect interest. In connection with the August 2018 Convertible debentures (Note 17), the Company paid FMICA a cash finder's fee of \$42,000.

As at January 31, 2020, \$92,677 (July 31, 2019 - \$22,600) was due to BCS, \$272,222 (July 31, 2019 - \$144,640) was due to FMI and \$Nil (July 31, 2019 - \$211) was due from FMICA.

- b. Incurred marketing expenses of \$74,445 (2019 - \$166,742) and share-based payments of \$25,758 (2019 - \$Nil) from Plexus Cybermedia Ltd., a company in which a director, Brian Presement, has a 33% ownership interest in. As at January 31, 2020, \$66,325 (July 31, 2019 - \$90,124) was due to Plexus Cybermedia Ltd.
- c. Incurred professional fees of \$112,599 (2019 - \$109,264) from Fogler, Rubinoff, LLP, a law firm in which a director, Adam Szweras, is a partner. As at January 31, 2020, \$244,148 (July 31, 2019 - \$260,877) was due to Fogler Rubinoff, LLP.
- d. Incurred management compensation to key management and directors of \$218,328 (2019 - \$410,045) in cash and \$171,302 (2019 - \$725,065) in stock-based payments. As at January 31, 2020, \$268,962 (July 31, 2019 - \$81,619) was owed to officers and directors of the Company. Included in shares to be issued was \$52,500 (July 31, 2019 - \$52,500) to be issued to a director of the Company.
- e. Included in professional fees and acquisition and project evaluation costs is a total of \$70,227 (2019 - \$180,229) fees charged from JRG Attorneys, a law firm in which a director, Aaron Johnson, is a partner. As at January 31, 2020, \$224,488 (July 31, 2019 - \$238,192) was due to JRG Attorneys.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

- f. Included in the convertible debenture advances was \$612,577 (2019 - \$350,000) received from Adam Szweras (2019 - Adam Szweras and Brian Presement).
- g. Included in accounts payable and accrued liabilities as at January 31, 2020 was a total of \$239,825 (July 31, 2019 - \$41,330) due to Adam Szweras related to compensation as an officer of the Company.
- h. Included in March 2018 unsecured convertible debentures are \$16,000 and \$20,000 of convertible debentures issued to Adam Szweras and a director, Brian Presement, respectively. Included in August 2019 secured convertible debentures are \$250,000 and \$100,000 of convertible debentures issued to Adam Szweras and Brian Presement, respectively.

22. Non-controlling interest

The Company's 51% interest in Eglinton Medicinal Advisory Ltd. is consolidated into the Company's consolidated financial statements. The 49% interest attributable to a minority shareholder is presented as "non-controlling interest" within shareholders' equity on the consolidated statements of financial position. For the six months ended January 31, 2020, the Company recorded \$Nil (2019 - \$Nil) of the net loss and comprehensive loss related to EMAL.

23. Management of capital

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended January 31, 2020. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity (deficit), which is comprised of share capital, shares to be issued, reserve for warrants, reserve for share-based payments, reserve for foreign currency translation, equity component of convertible debentures, non-controlling interest, and deficit, which as at January 31, 2020 totaled \$9,793,626 (July 31, 2019 - \$5,346,079).

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, issuance of convertible debentures, debt and sale leaseback transactions. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

24. Financial instruments

Fair Value of Financial Instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on 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 investments as fair value through profit and loss, which is measured at fair value and is classified as Level 1. The Company designated derivative liability and consideration payable as fair value through profit and loss, which is measured at fair value and classified as Level 2.

The recorded value of the Company's amounts receivable, deposits, accounts payable and accrued liabilities, income taxes payable, promissory note payable, and lease liability 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 trade receivable. The Company has no other significant concentration of credit risk arising from operations. Cash are held with a reputable credit union which is closely monitored by management. Amounts receivable consists of trade amounts receivable, harmonized sales tax due from the Canadian government, promissory note receivable and other receivable from third parties.

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 ability of the Company to continue as a going concern is dependent on its ability to obtain funding, manage cash flows, restructure borrowings and recover funds loaned to borrowers that have currently been provided against or recover collateral that secured those loans. There is significant uncertainty whether the company will be able to continue as a going concern and therefore, whether it will continue its normal business activities and realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. These financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

In the short term, the continued operations of the Company may be dependent upon its ability to obtain additional financing. Without this additional financing, the Company may be unable to meet its obligations as they come due. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost.

As at January 31, 2020, the Company had working capital deficiency of \$7,641,657 (July 31, 2019 – \$3,486,933), current assets of \$5,946,900 (July 31, 2019 - \$9,905,679) and current liabilities of \$13,588,557 (July 31, 2019 - \$13,392,612).

Foreign currency exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company enters into foreign currency purchase transactions and has assets and liabilities that are denominated in foreign currencies and thus is exposed to the financial risk fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

An increase (decrease) of 10% in the currency exchange rate of the Canadian dollar versus US dollar would have impacted net loss by \$826,415 (July 31, 2019 – \$616,862) as a result of the Company's exposure to currency exchange rate fluctuations.

Concentration risk

During the six months ended January 31, 2020, line of products produced by one supplier represented approximately 70% (2019 - 80%) of total sales.

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 \$44,892 (July 31, 2019 - \$30,079) because of the Company's exposure to interest rate fluctuations.

25. Commitments and contingencies

Abba Medix Corp.

On October 11, 2017, the Company entered into an Agreement ("the Abba 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 9, 2017, the parties amended the Abba 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. There has been minimal progress to the Joint Venture since the date of the agreement and the Company is reconsidering its strategy in Canada.

Green Therapeutics, LLC

On September 30, 2018, and amended on May 21, 2019, the company entered into a membership interest purchase agreement ("MIPA") to acquire 75% of Green Therapeutics LLC ("GTL"), a Nevada limited liability company, with its founding members ("the sellers"), for US\$9 million, to be paid as follows:

- (i) US\$3,000,000 due and payable on or before 18 months after closing to GTL;
- (ii) US\$4,000,000 in shares to be issued to the sellers at a price which is the lesser of (i) US\$0.27 per share, or (ii) the 20-day volume VWAP due upon closing;
- (iii) US\$2,000,000 of in promissory note (the "Amended Notes") to the sellers with US\$1,000,000 of which shall mature 12 months from closing, and \$1,000,000 of which shall mature 24 months from closing.

At any time after the date the secured notes have been satisfied and paid in full and then upon fifteen days prior written notice ("Option Notice") to GTL, the Company has an option to acquire the remaining 25% of GTL at any time after the payment or conversion of the Note for (i) US\$7,500,000 if the Option Notice is sent on or before the second anniversary of the Closing; or thereafter (ii) the greater of (a) US\$7,500,000 or (b) the trailing 12-month EBITDA multiplied by seven (7), multiplied by 25%. The purchase price will be paid in cash, or at the election of the sellers, 50% in common shares.

GTL has a put option to require the Company to buy their 25% remaining interest in GTL at any time after the second anniversary after the Closing at a price equal to the trailing 12-month EBITDA multiplied by seven (7), multiplied by 25%. If the put option is exercised, the purchase price will be paid half in cash and common shares.

As of January 31, 2020, the Company had advanced a total of US\$1,240,000 (July 31, 2019 - US\$1,150,000) (Note 5) to GTL, which is due along with its accrued interest US\$85,368 (July 31, 2019 - \$48,986), on the earlier of the closing or termination of the MIPA.

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Good Vybes LLC

On May 23, 2019, the Company entered into a non-binding letter of intent ("LOI") with Good Vybes LLC ("GV") and Hannah Ashby ("Ashby") to provide a Southern California base of operations for Calyx. Ashby holds a temporary distribution license issued by the BCC to operate a cannabis distribution business at a property located in Chatsworth, California ("Chatsworth Licensed Premises") leased by GV.

The Company has funded the completion of the build-out of the Chatsworth Licensed Premises, and the LOI provides for the parties to enter into services and other ancillary agreements (the "Definitive Agreements") whereby Calyx and Ashby will service Calyx's Southern California clients on an exclusive basis. Services offered to clients will include management of laboratory testing, sales and marketing support, packaging, warehousing, tax collection, transportation and fulfillment. The Company will provide GV with an operating line of credit in an amount to be approved by the Company from time-to-time, and certain other financial support of loans and milestone-based payments on meeting licensing milestones of up to US\$330,000.

Settlement agreement and release

On December 9, 2019, the Company, through Calyx, entered into a settlement agreement with Carberry, LLC, Plus Products Holdings Inc., and Plus Products Inc. (collectively referred herein as "Plus") to settle certain disputes relating to the service agreement entered between Calyx and Plus on February 1, 2018. Pursuant to the settlement agreement, Plus will assume responsibility for Plus-branded inventory held by Calyx and certain trade receivables and cash balance associated with sales of Plus products. As part of this settlement agreement, the Company ceased to undertake new sales of Plus-branded products and Plus will forbear for a period of 180 days for repayment of amount owing to Plus.

As of January 31, 2019, the Company has transferred \$304,241 of cash, \$960,408 of Plus-branded inventory, and assigned \$1,439,048 trade receivable (gross tax) to Plus.

26. Supplemental information for condensed interim consolidated statements of cash flows

	2019	2018
	\$	\$
Shares issued for debenture interest	853,568	-
Shares issued for Moses Garden acquisition	659,050	-
Shares issued for settlement of debt	251,789	-
Conversion of Pharmadrug debenture	-	100,000
Shares issued pursuant to Calyx acquisition	-	145,950

27. General and administrative

	Six months ended January 31, 2020	Six months ended January 31, 2019
	\$	\$
Bank charges	124,365	5,249
Dues and subscriptions	20,013	-
Insurance	226,762	200,123
Listing and investor relations	163,187	139,977
Office and administrative	174,299	136,445
Permit and licenses	115,462	90,656
Rent and property taxes	184,563	480,982
Repair and maintenance	21,399	34,177
Research and development	-	38,617
Security	248,507	178,749
Supplies, maintenance and utilities	5,556	53,245
Transportation	124,541	348,291
Travel	287,672	166,179
Total	1,696,326	1,867,441

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

28. Segmented information

The Company manufactures and processes cannabis-based vaping, concentrate and infused edible products and manages a distributor of cannabis products. The Company consolidates the financial results of the operations in Calyx, Pasa Verde and Oregon (La Pine). Sales revenue and cost of goods sold of Oregon (La Pine) did not exist as of the six months ended January 31, 2019 as this segment commenced sales in the third quarter of comparative fiscal year. Pasa Verde did not have any commercial activity since February 1, 2019 due to the City of Sacramento rescinding local authorization for cannabis manufacturing for Pasa Verde.

	Calyx (California)	Pasa Verde (California)	Oregon	Total
For the six months ended January 31, 2020				
Total sales	\$9,787,128	-	\$14,566	\$9,801,694
Cost of goods sold	\$(7,602,074)	-	\$(9,456)	\$(7,611,530)
Gross profit (loss)	\$2,185,054	-	\$5,110	\$2,190,164
For the six months ended January 31, 2019				
Total sales	\$11,712,738	\$113,448	-	\$11,826,186
Cost of goods sold	\$(9,107,203)	\$(80,146)	-	\$(9,187,349)
Gross profit (loss)	\$2,605,535	\$33,302	-	\$2,638,837

	Calyx (California)	Pasa Verde (California)	Oregon	Colorado	Nevada	Washington	Total
As at January 31, 2020							
Capital assets	\$1,244,135	\$2,509,500	\$1,511,719	\$597,259	\$260,178	\$263,987	\$6,386,778
Investment property	-	-	-	\$1,335,732	-	-	\$1,335,732
Intangible assets	\$1,623,340	-	-	-	-	-	\$1,623,340
Goodwill	\$1,583,812	-	-	-	-	-	\$1,583,812
As at July 31, 2019							
Capital assets	\$748,525	\$1,141,070	\$1,610,421	\$672,526	\$291,502	\$270,980	\$4,735,024
Investment property	-	-	-	\$1,368,142	-	-	\$1,368,142
Intangible assets	\$1,894,404	-	-	-	-	-	\$1,894,404
Goodwill	\$1,573,638	-	-	-	-	-	\$1,573,638

For the six months ended January 31, 2020, the Company recognized sales of \$9,801,694 (2019 - \$11,826,186) of which approximately 99% were derived from the Company's distribution operation, Calyx, in California. Sales from Pasa Verde and Oregon related to manufacturing.

29. Subsequent events

Convertible debenture conversion

Subsequent to January 31, 2020, holders of convertible debentures (Note 17) converted a combined total of \$135,000 principal amount of March 2018 convertible debentures resulting in the issuance of 900,000 common shares.

March 2020 convertible debenture

Subsequent to January 31, 2020, the Company completed its non-brokered private placement consisting of \$852,678 principal amount of secured convertible debenture units (the "Convertible Debenture Units") at a price of \$1,000 per Convertible Debenture Unit.

Each Convertible Debenture Unit is comprised of a \$1,000 principal amount 12% secured convertible debenture and 20,000 common share purchase warrants. Each warrant is exercisable into a common share of the Company (a "Warrant Share") at a price of \$0.05 for 36 months from the date of issuance. The Convertible Debentures are convertible into common shares in the capital of the Company at a price of \$0.05 per share. The Convertible Debentures bear interest at a rate of 12% per annum. The interest can be payable in cash or by issuing common shares against the amount due at the sole option of the Company.

The Company received additional \$194,000 from a director, CEO and incoming CEO as convertible debenture advances. This balance together with the convertible debenture advance as of January 31, 2019 of \$612,577 are part of the secured convertible debentures

Nutritional High International Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six months ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

Coronavirus

In March 2020, the World Health Organization declared a global pandemic resulted from the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19". This has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This pandemic may also impact expected credit losses on our amounts due from customers, staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and its not possible to reliably estimate the length and severity of these development.