Nutritional High International Inc.

Consolidated Financial Statements

Nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars, unless otherwise noted)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(2) issued by the Canadian Securities Administrators, if the auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by the auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended April 30, 2021 and April 30, 2020 have been prepared in accordance with IFRS and are the responsibility of the Company's management.

The Company's independent auditors, Davidson and Company LLP, have not performed a review of the unaudited condensed interim financial statements for the interim periods ended April 30, 2021 and April 30, 2020 in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of the interim financial statements by an entity's auditor.

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Financial Position
As At April 30, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

	Notes	April 30, 2021	July 31, 2020
ASSETS			
Current assets			
Cash		**$ 150,246**	$ 243,860
Amounts receivable	4	**1,648,924**	2,292,789
Prepaid expenses		**138,172**	58,163
Deposits	5	**92,861**	159,252
Inventory	6	**149,146**	301,383
Investments	7	**1,671,384**	45,844
		3,850,733	3,101,291
Non-current assets			
Investment property	9	**1,165,284**	1,311,536
Capital assets	11	**1,720,031**	2,268,829
Intangible assets	10	**-**	-
Goodwill	10	**2,973,185**	-
		$ 9,709,233	$ 6,681,656
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	12,14,23	**$ 5,710,803**	$ 13,421,428
Income tax payable		**151,397**	1,926,375
Promissory note payable	15	**-**	200,000
Derivative liabilities	15	**285,572**	285,572
Convertible debentures	17	**-**	6,279,820
Lease liabilities	16	**1,467,562**	1,482,352
Deferred gain on sale and leaseback	16	**69,085**	69,085
		7,684,419	23,664,632
Non-current liabilities			
Convertible debentures	15,17	**5,403,600**	4,420,806
Lease liabilities	16	**(710,660)**	468,354
Deferred gain (loss) on sale and leaseback	16	**(27,563)**	27,267
		12,349,796	28,581,059
Shareholders' deficiency			
Share capital	18	**48,450,701**	38,421,113
Shares to be issued	12,19	**4,042,614**	85,001
Reserve for share based payments	19	**4,676,677**	4,591,263
Reserve for warrants	20	**3,767,254**	3,382,530
Reserve for foreign currency translation		**1,916,153**	408,177
Equity component of convertible debenture	17	**835,133**	773,462
Deficit		**(66,314,345)**	(69,546,199)
		(2,625,813)	(21,884,653)
Non-controlling interest		**(14,750)**	(14,750)
		(2,640,563)	(21,899,403)
		$ 9,709,233	$ 6,681,656

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 25)
Subsequent events (Note 28)

Approved by the Board:
"Adam Szweras" Director "Brian Presement" Director

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

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	Three months ended 2021	Three months ended 2020	Nine months ended 2021	Nine months ended 2020
Sales		**$ 50,753**	$ 1,242,142	**$ 1,428,466**	$ 11,043,836
Cost of goods sold	6	**(81,034)**	(1,122,324)	**(1,239,262)**	(8,536,049)
Gross margin		**(30,281)**	119,818	**189,204**	2,507,787
Interest	5	**17,605**	32	**114,160**	49,356
Rental	9	**-**	20,000	**-**	20,000
		(12,676)	139,850	**303,364**	2,577,143
Operating expenses:					
Salaries, benefits and consulting fees	21	**808,263**	1,047,131	**1,924,708**	4,387,441
Professional fees	21	**146,092**	59,032	**463,929**	477,106
General and administrative	26	**423,967**	700,434	**1,139,260**	2,396,760
Acquisition and project evaluation costs		**17,360**	(4,865)	**24,909**	126,102
Share based payments	19	**860,000**	616,168	**945,414**	1,814,995
Sales, marketing and promotion	21	**25,922**	351,085	**27,897**	1,576,657
Depreciation and amortization	11,13,14	**44,897**	585,051	**332,674**	1,925,181
Allowance for amounts receivable	4	**(4,149)**	(424)	**-**	30,710
Total operating expenses		**2,322,352**	3,353,612	**4,858,791**	12,734,952
Other items:					
Foreign exchange loss (gain)		**277,492**	(1,475,018)	**1,827,441**	(1,708,809)
Finance costs	15,16,17	**486,955**	781,796	**1,790,248**	2,912,596
Gain on sale and leaseback	16	**-**	(521)	**-**	(34,504)
Other loss (income)	27	**(393,230)**	-	**(393,230)**	-
Unrealized loss on FVTPL investments		**4,145,282**	76,420	**3,924,224**	735,113
Loss (gain) on sale of investments	8	**(19,636)**	-	**(55,877)**	8,331
Change in fair value of derivative liability	15	**-**	(309,992)	**-**	(1,789,036)
Gain on debt settlement		**-**	-	**(521,653)**	(69,221)
Gain on extinguishment of debt		**-**	-	**87,350**	-
Total other items		**4,496,863**	(927,315)	**6,658,503**	54,470
Loss before income taxes		**(6,831,891)**	(2,286,447)	**(11,213,930)**	(10,212,279)
Income tax expense (recovery)					
Current		**51,248**	46,466	**62,950**	141,569
Deferred		**-**	-	**-**	(107,030)
		51,248	46,466	**62,950**	34,539

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

Nutritional High International Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

Net loss		**(6,883,139)**	(2,332,913)	**(11,276,880)**	(10,246,818)
Other comprehensive loss					
Exchange differences on translating foreign operations		-	(1,546,764)	**-**	(1,710,890)
Net loss and comprehensive loss		**$ (6,883,139)**	$ (3,879,677)	**$ (11,276,880)**	$ (11,957,708)
Net loss attributable to:					
Non-controlling interest	22	**$ -**		**$ -**	$ -
Parent company		**(6,883,139)**	(2,332,913)	**(11,276,880)**	(10,246,818)
		$ (6,883,139)	$ (2,332,913)	**$ (11,276,880)**	$ (10,246,818)
Net loss and comprehensive loss attributable to:					
Non-controlling interest	22	**$ -**	-	**$ -**	$ -
Parent company		**(6,883,139)**	(3,879,677)	**(11,276,880)**	(11,957,708)
		$ (6,883,139)	$ (3,879,677)	**$ (11,276,880)**	$ (11,957,708)
Weighted average number of common shares outstanding					
Basic		**1,015,387,983**	375,494,661	**1,015,387,983**	375,494,661
Diluted		**1,015,387,983**	375,494,661	**1,015,387,983**	375,494,661
Net loss per share					
Basic		$ (0.007)	$ (0.006)	$ (0.011)	$ (0.027)
Diluted		$ (0.007)	$ (0.006)	$ (0.011)	$ (0.027)

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

+

Nutritional High International Inc.
Condensed Interim Consolidated Statement of Cash Flow
Nine months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
Cash Provided by (used in)		
Operating activities:		
Net loss	**(11,276,880)**	(10,246,818)
Items not affecting cash:		
Interest Income	**(17,605)**	(49,356)
Deferred income tax recovery	**-**	(107,030)
Amortization of capital assets and intangible assets	**(19,706)**	1,925,181
Shares issued for services	**-**	22,605
Impairment of goodwill	**(2,973,185)**	-
Change in fair value of derivative liabilities	**-**	(1,789,036)
Change in Equity component of CD	**61,672**	
Gain on debt settlement	**-**	(69,221)
Accretion and finance costs	**-**	2,912,596
Share based payments	**85,414**	1,814,995
Gain on sale and leaseback	**(48,668)**	
Loss on sale of investment	**-**	743,444
Allowance for amounts receivable	**-**	30,710
Net change in non-cash working capital:		
Amounts receivable	**108,054**	2,098,562
Prepaid	**(80,409)**	233,211
Inventory	**280,966**	1,857,102
Deposits	**(87,227)**	25,563
Investments	**(1,625,540)**	-
Income taxes payable	**(1,644,484)**	7,347
Accounts payable and accrued liabilities	**1,330,028**	1,018,054
Due to/from related parties	**2,174,635**	-
Deferred gain on sale and leaseback	**-**	(26,442)
Net cash used in operating activities	**(13,732,935)**	401,467
Investing activities:		
Proceeds from sale of investments	**-**	186,704
Acquistion of Palo Verde LLC	**(5,402,542)**	-
Increase in promissoary note	**473,313**	-
Purchase of capital assets	**(37,770)**	(367,332)
Disposal / Acquisition of Calyx Brands Inc.	**10,261,514**	(228,218)
Net cash generated from (used in) investing activities	**5,294,515**	(408,846)
Financing activities:		
Issuance of convertible debentures units, net of issue costs	**4,569,760**	1,446,639
Interest paid on promissory note	**-**	(14,073)
Repayment of promissory notes	**(200,000)**	(132,100)
Shares to be issued on forced conversion of debenture (Mar 18)	**3,097,613**	-
Lease payments	**1,965,076**	(1,241,019)
Shares issued for debt settlement	**875,931**	-
Shares issued for compensation	**860,000**	-
Shares issued on options exercised	**1,525,654**	-
Convertible debentures advances	**-**	17,250
Convertible debt advances received	**(4,694,865)**	
Proceeds from private placement	**384,724**	-
Net cash generated from financing activities	**8,383,893**	76,697
Net increase in cash	**(54,527)**	69,318
Effects of exchange rate changes on cash	**(39,087)**	(1,220,582)
Cash at beginning of period	**243,860**	1,492,233
Cash at end of period	**150,246**	340,969

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

Nutritional Hight International Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

Description	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 shareholders' equity (deficiency)
Balance as at 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	-	-	1,861,152	-	-	-	-	1,861,152	-	1,861,152
Shares issued on exercise of warrants	97,977	-	-	(97,977)	-	-	-	-	-	-
Forfeiture of stock options	-	-	(46,157)	-	-	-	-	(46,157)	-	(46,157)
Conversion of debentures	-	-	-	105,171	-	301,721	-	406,892	-	406,892
Deferred tax on convertible debenture	-	-	-	272,003	-	(102,029)	-	169,974	-	169,974
Shares issued for debt settlement	251,791	-	-	-	-	-	-	251,791	-	251,791
Shares issued for service	136,117	-	-	-	-	-	-	136,117	-	136,117
Conversion of debentures	400,531	-	-	-	-	(2,214)	-	398,317	-	398,317
Shares issued pursuant to Moses Garden acquistion	659,050	-	-	-	-	-	-	659,050	-	659,050
Shares issued for interest on convertible debenture	853,618	-	-	-	-	-	-	853,618		853,618
Foreign exchange translation	-	-	-	-	(1,710,890)	-	-	(1,710,890)	-	(1,710,890)
Net loss for the period	-	-	-	-	-	-	(10,246,818)	(10,246,818)	-	(10,246,818)
Balance April 30, 2020	**36,421,125**	**52,501**	**5,173,070**	**4,381,064**	**(1,468,673)**	**547,026**	**(57,704,396)**	**(12,598,283)**	**(14,750)**	**(12,613,033)**
Balance as at July 31, 2020	**$ 38,421,113**	**$ 85,001**	**$ 4,591,263**	**$ 3,382,530**	**$ 408,177**	**$ 773,462**	**$ (69,546,199)**	**$ (21,884,653)**	**$ (14,750)**	**$ (21,899,403)**
Shares based payments	-	860,000	85,414	-	-	-	-	945,414	-	945,414
Shares issued for debt settlement	1,084,837	-	-	-	-	-	-	1,084,837	-	1,084,837
Shares issued for purchase of company	5,667,961	-	-	277,374	-	-	-	5,945,335	-	5,945,335
Disposal of entity	-	-	-	-	-	-	14,508,734	14,508,734	-	14,508,734
Conversion of debentures	2,836,500	3,097,613	-	-	-	-	-	5,934,113	-	5,934,113
Shares issued for interest on convertible debentures	440,290	-	-	-	-	-	-	440,290	-	440,290
Settlement of Accounts Payable Invoices	-	-	-	87,350	-	-	-	87,350	-	87,350
Warrants issued related to High Pita debt settlement	-	-	-	20,000	-	-	-	20,000	-	20,000
Equity component of high Pita Debenture	-	-	-	-	-	61,671	-	61,671	-	61,671
Foreign exchange translation	-	-	-	-	1,507,976	-	-	1,507,976	-	1,507,976
Net loss for the period	-	-	-	-	-	-	(11,276,880)	(11,276,880)	-	(11,276,880)
Balance as at April 30, 2021	**$ 48,450,701**	**$ 4,042,614**	**$ 4,676,677**	**$ 3,767,254**	**$ 1,916,153**	**$ 835,133**	**$ (66,314,345)**	**$ (2,625,813)**	**$ (14,750)**	**$ (2,640,563)**

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

1. Nature of operations and going concern

Nutritional High International Inc. ("Nutritional High" or "the Company" or "NHII") is a publicly traded company incorporated in Canada on July 19, 2004 under the Canada Business Corporations Act. The Company is listed on the Canadian Securities Exchange (CSE) under the symbol "EAT", 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 nine months ended April 30, 2021 were approved by the Board of Directors on June 29, 2021.

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 April 30, 2021, the Company had working capital deficiency of $3,833,686 (July 31, 2020 – $20,563,341), spent $27,377,832 (2020 - $1,040,320) of cash for operating activities, had not yet achieved profitable operations, had accumulated losses of $66,314,345 (July 31, 2020 - $69,546,199), had shareholders' deficit of $2,640,563 (July 31, 2020 - $21,899,403 deficit) and expects to incur further losses in the development of its business, all of which describe 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 as to 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 unaudited condensed interim consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Company not 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 Standards 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, 2020 and 2019.

2.2 Basis of measurement

The 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.

(Expressed in Canadian Dollars)

2.3 Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, formally 100% owned subsidiary, Calyx Brands Inc. ("Calyx") 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	Ownership Interest April 30, 2021	Ownership Interest July 31, 2020	Accounting method
NHII Holdings Ltd. ("NHHL")	100%	100%	Consolidation
NHC IP Holdings Corp. ("NHCIP")	100%	100%	Consolidation
Nutritional High (Colorado) Inc. ("NHCI")	100%	100%	Consolidation
NH Properties Inc. ("NHPI")	100%	100%	Consolidation
NHC Edibles LLC ("NHC")	100%	100%	Consolidation
Nutritional High (Oregon) LLC ("NHOL")	100%	100%	Consolidation
Nutritional Traditions Inc. ("NTI")	100%	100%	Consolidation
Nutritional IP Holdings LLC ("NIPH")	100%	100%	Consolidation
NH (Oregon) Properties LLC ("NHOP")	100%	100%	Consolidation
NH Processing (Nevada) Inc. ("NHPN")	100%	100%	Consolidation
NH Operations LLC ("NHOC")	100%	100%	Consolidation
NH Nevada LLC ("NHNC")	100%	100%	Consolidation
NH (Pennsylvania) LLC ("NHPL")	100%	100%	Consolidation
NH Properties (Nevada) LLC ("NPNL")	100%	100%	Consolidation
Eastgate Property Holding LLC ("EPHC")	100%	100%	Consolidation
NH Processing (California) LLC ("NHPC")	100%	100%	Consolidation
NH Bellingham Property Holdings LLC ("NHBH")	100%	100%	Consolidation
NH Distribution California LLC ("NHDC") (2)	100%	100%	Consolidation
Pasa Verde, LLC ("Pasa Verde")	100%	100%	Consolidation
NH Washington Inc.("NHWI")	100%	100%	Consolidation
Nutritional High Group, LLC ("NHG")	100%	100%	Consolidation
Eglinton Medicinal Advisory Ltd. ("EMAL")	51%	51%	Consolidation
NH Medicinal Holdings LLC ("NHMH")	100%	100%	Consolidation
Calyx Brands Inc. ("Calyx") (1,2)	-	80%	Consolidation
Psychedelic Sciences Corp ("PSC")(3)	100%	-	Consolidation
Palo Verde LLC ("Palo Verde")(4)	100%	-	Consolidation

(1) On October 30, 2019, the Company amended its asset purchase agreement (Note 3) to recast it as a share purchase agreement. The Company held 80% of the issued and outstanding shares of Calyx, with the option to purchase the remaining 20% for nominal consideration which it purchased on August 31, 2020.

(2) Prior to the end of the Quarter Ended January 31, 2021 the company on November 6, 2020, sold its 100% interest in Calyx to a third party

(3) The company purchased Psychedelic Sciences Corp on August 6th, 2020.

(4) The company purchased Palo Verde LLC on March 12, 2021

2.4 Functional and presentation currency

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

2.5 Significant accounting policies

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, 2020, except as noted below.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, along with identifiable assets acquired, and liabilities and contingent liabilities assumed. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company’s share in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities. Any gain on a bargain purchase is recognized directly in the statement of loss and comprehensive loss. Transaction costs are expensed as incurred.

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

Revenue recognition

Revenue recognition is based on identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, and allocating the transaction price to the individual performance obligations making up the contract. Revenue is then recognized when or as the associated performance obligations are delivered and based on the expected consideration to be received.

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

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell.

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

The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

Investment property

Investment property earns lease income and is not for sale in the ordinary course of business, is not used in the production or supply of goods or services or for administrative purposes. Investment property is carried at historical cost less any accumulated depreciation and impairment losses. Amortization is computed using the declining balance methods based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period. Depreciation is provided at rates as follows:

Building	4% Declining balance
Leasehold improvements	Straight-line over the lease term

Interests in equity accounted investees and joint ventures

The Company's interest in equity accounted investees is comprised of its interest in associates and joint ventures.

In accordance with IFRS 10, Consolidated Financial Statements, associates are those in which the Company has significant influence, but not control or joint control over the financial and accounting policies. In accordance with IFRS 11 Joint Arrangements; a joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. They are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees until the date on which significant influence or joint control ceases.

Investments in equity instruments without significant influence are recorded in fair value.

Capital assets

Capital assets are carried at cost less any residual value, accumulated depreciation and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When capital assets include significant components with different useful lives, they are recorded and depreciated separately. Depreciation is computed based on the estimated useful life of the assets. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of capital assets have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Building	4% Declining balance
Leasehold improvements	Term of lease
Vehicles	5 years
Furniture and equipment	3 years
Manufacturing equipment	25%-40% Declining balance
Computer and software	25%-33% Declining balance

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life, amortization method, and residual values are reviewed at end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

License and management agreement	Indefinite
Trade name	5 years
Proprietary data	5 years
Customer relationships	2 years

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination.

Goodwill has an indefinite useful life that is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statement of loss and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. The Company's most recent goodwill impairment test during the second quarter did not result in the recognition of any impairment losses.

Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate there may be impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the goodwill, the impairment loss is first allocated to reduce the amount of goodwill and to the other assets of the unit on pro-rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss and any impairment loss recognized for goodwill is not reversed in subsequent periods.

Leases

At inception, the Company assesses whether a contract is, or contains, a lease. The assessment involves the exercise of judgment about whether the lease depends on a specified asset, whether the Company obtains substantially all the economic benefits for the use of that asset during the lease term, and whether the Company has the right to direct the use of the asset. If the lease contains an extension option that the Company considers reasonably certain to be exercised, the term of the lease becomes the base lease plus renewal option, including any associated costs. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and a lease liability at the commencement date.

The right-of-use asset is initially measured at cost, which includes the initial amount of the liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to testing for impairment if there is an indicator for impairment.

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

The measurement of lease liabilities includes the following types of lease payments:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;

- Amounts expected to be payable under any residual value guarantees; and
- Exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method.

Lease liabilities are remeasured in the following circumstances:

- If there is a change in the future lease payments resulting from a change in index or rate;
- If there is a change in the Company's estimation of the amount expected to be payable under a residual guarantee; and
- If the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

When the Company subleases a right-of-use asset, the Company classifies the sublease as an operating lease if the head lease is a short-term lease. Otherwise, the sublease is classified as a finance lease. When the sublease is classified as a finance lease, the lessor derecognizes the right-of-use asset pertaining to the head lease that it transfers to the sublessee, at the sublease commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and may use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in the lease, and also records income relating to variable lease payments not included in the measurement of the net investment in the lease.

Compound financial instruments

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

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

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

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

Valuation of equity units issued

When the Company issues equity units that include both common shares and share purchase warrants, the proceeds from the issuance of equity units is allocated between the common shares and common share purchase warrants on a pro-rated basis using the relative fair values of common shares and common share purchase warrants. The fair value of the common shares is determined using the share price at the date of the issuance of the units. The fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the stock options at the grant date and recognized in expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are retained in share-based payment reserve. Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Restricted Share Units ("RSU")

RSUs are measured at fair value on the date of grant based on the closing price of the Company's shares on the date prior to the grant and is recognized as share-based compensation expense on a straight-line basis over the vesting period. The corresponding amount is recorded to the share-based payment reserve. Upon the exercise of RSUs, the related share-based payment reserve is transferred to share capital.

Loss per share

Basic loss per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method of calculating the weighted average number of common shares outstanding. The treasury stock method assumes that outstanding stock options and warrants with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period. Total shares issuable from stock options and warrants were excluded from the computation of diluted loss per share because they were anti-dilutive from the years ended July 31, 2019

Related party transactions

The Company considers a person or entity as a related party if they are a member of key management personnel including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are controlled by related parties.

Taxation

Current income tax

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

Deferred income tax

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities at FVTPL, are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. The Company has made the following classifications:

Financial Assets / Liabilities	Classification
Cash	FVTPL
Amounts receivable	Amortized cost
Deposits	Amortized cost
Investments	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Promissory note payable	Other financial liabilities
Convertible debenture advances	Other financial liabilities
Convertible debentures	Other financial liabilities
Derivative liabilities	FVTPL
Lease liabilities	Other financial liabilities
Consideration payable	FVTPL

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of income and comprehensive income. Transaction costs are expensed as incurred.

(ii) Amortized cost financial assets

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is initially measured at fair value, including transaction costs and subsequently at amortized cost.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of income (loss) and comprehensive income (loss). With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of income (loss) and comprehensive income (loss).

(iv) Financial liabilities and other financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of income (loss) and comprehensive income (loss). Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(v) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss.

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the date of statement of financial position. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its amount’s receivable using the ECL model, and no difference was noted. As a result, no impairment loss has been recognized upon transition and at April 30, 2021.

Assets carried at amortized cost

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date.

Nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in loss and comprehensive loss for the period.

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

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

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal.

On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

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

2.7 Significant accounting estimates and judgments

The preparation of the Company's Condensed Interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant estimates

Useful life of long-lived assets

Depreciation of capital assets and amortization of intangible assets are dependent upon estimates of their useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

Business combination

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with International Financial Reporting Standards ("IFRS") 9, Financial Instruments, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 3 – Acquisitions.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Share-based payments and brokers' warrants

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and brokers' warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably investment in equity securities, convertible debentures, and promissory notes are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Recoverability of long-lived assets

Long-lived assets, including capital assets, investment properties and intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Deferred tax

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore, do not necessarily provide certainty as to their recorded values.

Significant judgments

Going concern

Each reporting period, management exercises judgment in assessing whether there is a going concern issue by reviewing the Company's performance, resources and future obligations.

Business combination

The determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to been integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisitions of Calyx, Pasa Verde and PSC were determined to be business combinations. (See Note 3). Judgment is also required to determine when the Company gains control of an investment. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making; financing of the investee; the appointment, remuneration and termination of key management personnel; and when decisions in relation to those activities are under the control of the Company. Difficulties surrounding the control of acquired entities exists within the cannabis industry, due to certain state legislative requirements to structure cannabis license holders.

Functional currency

The determination of the functional currency often requires significant judgment where the primary economic environment in which an entity operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

Leases

Significant judgments related to lessee and lessor accounting primarily include evaluation of the appropriate discount rate to use to discount lease liabilities and net investment in sublease, the determination of lease term, and assessing if the Company was reasonably certain that it would exercise any lease renewal option.

2.8 Adoption of new accounting standards

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaced IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard was effective for annual periods beginning on or after January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach effective August 1, 2019.

As at August 1, 2019, the Company had entered into lease and sublease agreements with respect to various leased premises which commenced during the year ended July 31, 2017. In the context of IFRS 16, aggregate ROU assets of $2,390,826, net investment in sublease of $65,907, lease liabilities of $2,484,074, loss on sublease of $27,994 and foreign exchange gain of $653 were recognized as at August 1, 2019. The lease liabilities were measured at the present value of the lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 8% on August 1, 2019. The ROU assets were measured at the amounts equal to the corresponding initial lease liabilities, net of investment in sublease and loss on sublease recognized.

The adoption of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include: determining the contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

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. There was no impact to the Company's financial statements as a result of adopting this new standard.

3. Business acquisition /disposals

Calyx Brands Inc.

On March 15, 2018, the Company acquired all of the 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"), 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. The remaining 20% was acquired by the Company on August 31, 2020.

On August 7, 2020, the Company entered into a Stock Purchase and Sale Agreement with DB12, LLC ("DB12") to sell 100% of the Company's interest in NHDC and Calyx for no consideration ("**Calyx Sale Agreement**"). On November 5, 2020, the Stock Purchase and Sale Agreement was amended, and the sale closed on that date. Pursuant to the Calyx Sale Agreement, the Company and DB12 have agreed to cooperate in negotiating and obtaining a settlement and release of all amounts due and owing under the lease agreement with respect to the facility in Chatsworth, California ("Lease Settlement"), wherein the Company is guarantor on the lease. In connection with the Lease Settlement, the Company may be liable to reimburse DB12 for up to US$50,000 of the amounts paid by DB12 in respect of the Lease Settlement, of which US$25,000 may be settled by cash payment and the remaining US$25,000 may be settled by issuance of common shares. (See Note 16)

(Expressed in Canadian Dollars)

Psychedelic Sciences Corp.

On August 14, 2020, the Company acquired all the outstanding common shares of Psychedelic Science Corp. ("PSC"), a related party by virtue of common directors, in exchange for common shares of the Company on a one-for-one basis (the "Transaction"). Shareholders of PSC were issued an aggregate of 137,522,968 common shares of the Company. Pursuant to the Transaction, outstanding warrants and stock options of PSC were exchanged on a one-for-one basis for the warrants and stock options of the Company, resulting in the issuance of 137,522,968 warrants and 3,001,837 stock options. Each warrant is exercisable for one common share at the price and expiry date noted in the chart below. Each stock option is exercisable for one common share at a share price of $0.03 per share until July 16, 2022.

The following table summarizes the estimated fair values of the identifiable assets and liabilities acquired at the date of acquisition:

Total purchase price consideration	**$**
Issued shares	4,125,689
	4,125,689
Identified tangible assets and liabilities assumed	
Cash	7,181
Accounts Receivable	1,145,323
Identified intangible assets	
Goodwill	2,973,185
	4,125,689

Palo Verde LLC. (See Note 9 – Amounts Due to Palo Verde LLC)

On March 12, 2021 the Company acquired 100% of the membership interest in Palo Verde.

Consideration for the acquisition includes a nominal cash payment and the assumption of liabilities. These liabilities include third party debt due to High Pita Corporation and outstanding rent due to Nutritional High arising from a lease agreement for the building and equipment.

Pursuant to the closing of the acquisition, on March 19, 2021 the Company executed an assignment agreement with High Pita Corporation whereby, the Company will assume all indebtedness due from Palo Verde to High Pita in the aggregate amount of US$1,884,355 together with accrued interest ("PV Debt").

The consideration issued by the Company to High Pita for the assignment is comprised of:

a) 2,000,000 common shares in the capital of Nutritional High ("Common Shares");

b) 4,000,000 warrants, convertible into Common Shares on a one for one basis, at an exercise price of $0.05 per Common Share until the date that is three years following the date of issuance; and

c) a convertible debenture in the amount of $250,000 which matures two years from the date of issuance, bears an interest rate of 12% and is convertible into Common Shares at a price per Common Share of $0.05 (the "Convertible Debenture", together with the Share Consideration and Warrant Consideration, the "Assignment Consideration").

The PV Debt assigned to the Company from High Pita is included as purchase consideration which was then settled by the Company giving rise to a gain on settlement of $1,670,780.

At the time of purchase, Palo Verde also had a payable to the Company for rent and packaging in the amount of $2,266,718 which had been fully provided for by the Company in prior periods. Upon closing of the acquisition, the full amount of this payable was written off by Palo Verde resulting in a gain on settlement by Palo Verde of $2,266,718.

(Expressed in Canadian Dollars)

Pursuant to IFRS #3 the Company will be undertaking an evaluation of the purchase to determine the fair purchase price. The Company has identified the following intangible assets which will be included in the evaluation of the purchase price allocation. Intangible assets included: Palo Verde's operating licence, customer list, proprietary formula, and business processes.

4. Amounts receivable

The breakdown of the amounts receivable balance is as follows:

	April 30, 2021	July 31, 2020
	$	$
Trade accounts receivable (ii)	**73,543**	309,260
Harmonized Sales Tax (HST) recoverable (iii)	**186,560**	57,281
Promissory note receivable (i)	**1,388,821**	1,926,248
Total	**1,648,924**	2,292,789

(i) Promissory note receivable $1,388,821 balance due related to from Green Therapeutics, LLC ("GTL"). (Note 25).

(ii) During the nine months ended April 30, 2021, the Company recorded a provision for trade accounts receivable of $Nil (2019 - $40,926).

(iii) HST has been filed for the period and prior period returns have been accepted and refunded after the end of the quarter.

5. Deposits

Deposits consists of $92,861 (US$65,000) (July 31, 2020 - $159,252 (US $116,280)) of security deposits on leased facilities and $Nil (July 31, 2020 - $Nil) of refundable deposits.

6. Inventory

The breakdown of inventory is as follows:

	April 30, 2021	July 31, 2020
	$	$
Raw materials	**-**	-
Work-in-Progress	**-**	-
Finished goods	**149,146**	301,383
Provision	**-**	-
Total	**149,146**	301,383

Inventory recognized as cost of goods sold during the nine months ended April 30, 2021 was $1,239,262 (July 31, 2020 - $9,550,928). See Note 3 regarding sale of Calyx on November 5, 2020.

(Expressed in Canadian Dollars)

7. Investments

The Company's investments are comprised of the following:

	April 30, 2021	July 31, 2020
Pharmadrug Inc.		
436,606 shares (July 31, 2020 - 1,309,818 shares)	-	45,844
200,000 warrants (July 31, 2020 - 200,000 warrants)	-	-
Balance	-	45,844

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). As at July 31, 2019, the Company held 8,953,115 Pharmadrug shares valued at $850,565 and 200,000 Pharmadrug warrants valued at $Nil. Each Pharmadrug warrant is exercisable at $0.75 per Pharmadrug share until August 9, 2020.

During the year ended July 31, 2020, the Company sold 7,643,297 shares in Pharmadrug (2019 – Nil) for gross proceeds of $171,534 (2019 - $Nil), resulting in a realized loss of $679,031 (2019 - $Nil).

As at April 30, 2021, the Company held 436,606 shares of Pharmadrug (July 31, 2020 – 1,309,818 shares), of which 436,606 shares (July 31, 2020 – 1,309,818 shares) were held in escrow and will be released as follows:

	Number of Shares
August 16, 2021	436,606
Total	**436,606**

During the nine months ended April 30, 2021 the company sold the shares received from the August 16, 2020 escrow release (436,606 shares) and sold the shares received from the early release from the February 16, 2021 escrow release. (436,606 shares).

The Pharmadrug warrants expired unexercised.

9. Amounts due from Palo Verde LLC (See Note 3)

Amounts due from Palo Verde include a line of credit, a promissory note, packaging and rent payable as follows:

Line of Credit, and Promissory Note

Prior to the current fiscal year, the Company had a revolving loan agreement with Palo Verde dated July 23, 2014 subsequently amended on July 23, 2015, September 1, 2016, February 28, 2017, April 18, 2017 and June 1, 2018 in the amount of US$1,384,356. In addition, the Company had a promissory note dated June 1, 2018 in the amount of US$300,000 with Palo Verde. The revolving loan agreement and a promissory note were deemed uncollectable. The Company fully provided for these in the fiscal year ended July 31, 2019.

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 for US$100 each.

(Expressed in Canadian Dollars)

High Pita Revolving Loan

In addition, Palo Verde had a US$200,000 obligation to High Pita under a revolving loan agreement dated April 11, 2019.

Packaging Payable

Prior to the current fiscal year, the Company had a receivable for proprietary packaging materials purchased for Palo Verde in the amount of $247,304 which was deemed uncollectable fully provided for as of July 31, 2018

Rent Payable

The Company leased the Pueblo property and equipment in Colorado to Palo Verde under an amended lease agreement dated June 1, 2018. Prior to the current fiscal year total lease payments due from Palo Verde of $1,748,194 as of July 31, 2018 were deemed uncollectable and were fully provided for by the Company.

10. Investment property

Cost	Land	Building	Leasehold Improvements	Total
	$	$	$	$
Balance at July 31, 2019	**164,350**	**999,248**	**486,939**	**1,650,537**
Effect of movement in exchange rates	3,200	19,456	9,481	32,137
Balance at July 31, 2020	**167,550**	**1,018,704**	**496,420**	**1,682,674**
Effect of movement in exchange rates	(11,351)	(69,008)	(33,628)	(113,987)
Balance at April 30, 2021	**156,199**	**949,696**	**462,792**	**1,568,687**

Accumulated Depreciation	Land	Building	Leasehold Improvements	Total
	$	$	$	$
Balance at July 31, 2019	**-**	**173,173**	**109,222**	**282,395**
Depreciation	-	33,219	50,386	83,605
Effect of movement in exchange rates	-	3,228	1,910	5,138
Balance at July 31, 2020	**-**	**209,620**	**161,517**	**371,137**
Depreciation	-	23,041	36,193	59,234
Effect of movement in exchange rates	-	(14,913)	(12,055)	(26,968)
Balance at April 30, 2021	**-**	**217,748**	**185,656**	**403,404**

Net Book Value	Land	Building	Leasehold Improvements	Investment property
	$	$	$	$
Balance at July 31, 2019	**164,350**	**826,075**	**377,717**	**1,368,142**
Balance at July 31, 2020	**167,550**	**809,084**	**334,903**	**1,311,537**
Balance at April 30, 2021	**156,199**	**731,948**	**277,136**	**1,165,284**

The properties are located in Pueblo West, Colorado (“Pueblo”) and La Pine Oregon. The fair value of the investment property as at April 30, 2021 and July 31, 2020 exceeded its carrying value.

11. Intangible assets and goodwill

Calyx

Management assessed the carrying values of the intangible assets and the goodwill, and as a result of the decision to sell Calyx, the Company wrote off the carrying values of the intangible assets and goodwill amounting to $1,509,642 and $1,611,220, respectively, during the year ended July 31, 2020.

Mile High FLI Club Rewards Program

Effective August 1, 2020, the Mile High FLI Club Rewards Program was discontinued. Therefore, the carrying value of the intangible asset amounting to $28,345 was written off during the year ended July 31, 2020.

Psychedelic Science Corp.

On August 14, 2020, the Company acquired all the outstanding common shares of Psychedelic Science Corp. (“PSC”) which resulted in an addition to goodwill in the amount of $2,973,185. (See note 3)

(Expressed in Canadian Dollars)

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, 2019	**1,287,342**	**399,236**	**71,013**	**909,036**	**2,666,627**	**1,573,638**	**4,240,265**
Additions	-	-	-	-	-	-	-
Reversal	-	-	-	-	-	-	-
Impairment	(1,301,953)	(413,313)	(80,450)	(933,363)	(2,729,079)	(1,611,220)	(4,340,299)
Effect of movement in exchange rate	14,611	14,077	9,437	24,327	62,452	37,582	100,034
Balance at July 31, 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-	2,973,185	2,973,185
Effect of movement in exchange rate	-	-	-	-	-	-	-
Balance at April 30, 2021	**-**	**-**	**-**	**-**	**-**	**2,973,185**	**2,973,185**

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, 2019	**12,884**	**144,702**	**21,861**	**592,776**	**772,223**	-	**772,223**
Additions	10,308	82,663	15,837	291,928	400,736	-	400,736
Impairment	(23,192)	(196,325)	(38,214)	(933,361)	(1,191,092)	-	(1,191,092)
Effect of movement in exchange rate	-	(31,040)	516	48,657	18,133	-	18,133
Balance at July 31, 2020	**-**	**-**	**-**	**-**	**-**	-	**-**
Additions	-	-	-	-	-	-	-
Effect of movement in exchange rate	-	-	-	-	-	-	-
Balance at April 30, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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, 2019	**1,274,458**	**254,534**	**49,152**	**316,260**	**1,894,404**	**1,573,638**	**3,468,042**
Balance at July 31, 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at April 30, 2021	**-**	**-**	**-**	**-**	**-**	**2,973,185**	**2,973,185**

(Expressed in Canadian Dollars)

12. Capital assets

Cost	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Furniture and Equipment	Total
	$	$	$	$	$	$	$	$
Balance, July 31, 2019	**213,877**	**334,526**	**1,607,784**	**3,166,708**	-	**331,636**	**23,705**	**5,678,236**
Reclassification of equipment under sales	-	-	-	(1,888,773)	1,888,773	-	-	-
Adoption of IFRS 16	-	-	-	-	2,390,826	-	-	2,390,826
Additions	-	-	104,062	16,297	-	122,026	-	242,385
Impairment	-	-	(1,065,794)	(817,416)	(1,760,760)	(224,194)	(19,224)	(3,887,388)
Modification of lease	-	-	-	-	(1,601,410)	-	-	(1,601,410)
Effect of movement in exchange rates	4,164	6,513	35,509	38,485	93,873	8,972	(4,481)	183,035
Balance at July 31, 2020	**218,041**	**341,039**	**681,561**	**515,301**	**1,011,302**	**238,440**	-	**3,005,684**
Additions	-	-	-	62,480	-	-	-	62,480
Disposals						(238,440)	-	(238,440)
Effect of movement in exchange rates	(14,770)	(23,103)	(45,064)	(36,004)	(68,507)	-	-	(187,448)
Balance at April 30, 2021	**203,271**	**317,936**	**636,497**	**541,777**	**942,795**	-	-	**2,642,276**

Accumulated Depreciation	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Furniture and Equipment	Total
	$	$	$	$	$	$	$	$
Balance, July 31, 2019	-	**10,985**	**347,310**	**532,994**	-	**45,242**	**6,681**	**943,212**
Reclassification of equipment under sales an	-	-	-	(339,032)	339,032	-	-	-
Additions	-	13,009	473,709	155,090	1,198,433	90,665	6,678	1,937,584
Impairment	-	-	(718,608)	(203,997)	(752,978)	(136,987)	(13,526)	(1,826,096)
Modification of lease	-	-	-	-	(335,084)	-	-	(335,084)
Effect of movement in exchange rates	-	159	7,873	3,655	4,305	1,080	167	17,239
Balance, July 31, 2020	-	**24,153**	**110,284**	**148,710**	**453,708**	-	-	**736,855**
Additions	-	6,116	26,364	33,992	178,187	11,760	-	256,419
Disposals	-	-	-	-	-	(11,760)	-	(11,760)
Effect of movement in exchange rates	-	(1,915)	(8,797)	(11,163)	(37,394)	-	-	(59,269)
Balance at April 30, 2021	-	**28,354**	**127,851**	**171,539**	**594,501**	-	-	**922,245**

Net Book Value	Land	Building	Leasehold Improvement	Computer and Mfg. Equipment	Right Of Use Assets	Vehicles	Office Furniture	Total
	$	$	$	$	$	$	$	$
Balance, July 31, 2019	**213,877**	**323,541**	**1,260,474**	**2,633,714**	-	**286,394**	**17,024**	**4,735,024**
Balance, July 31, 2020	**218,041**	**316,886**	**571,277**	**366,591**	**557,594**	**238,440**	-	**2,268,829**
Balance at April 30, 2021	**203,271**	**289,582**	**508,646**	**370,238**	**348,294**	-	-	**1,720,031**

14. Accounts payable and accrued liabilities

The breakdown of the accounts payable is as follows:

	April 30, 2021	July 31, 2020
	$	$
Trade accounts payable	**3,828,356**	3,828,355
Payroll tax payable	**855**	355,811
Excise tax payable	**10,795**	3,162,359
Other payable and accrued liabilities	**1,870,797**	6,074,903
Total	**5,710,803**	13,421,428

(Expressed in Canadian Dollars)

Accounts Payable Conversion

On August 5, 2020, the Company entered into settlement agreements with trade creditors and related parties representing $1,106,340 to convert such amounts owed into 44,253,581 units at a deemed price of $0.025 per unit. Each unit is comprised of one common share and one warrant, with each warrant entitling the holder to acquire one common share of the Company at any time on or before December 31, 2020 at a price of $0.05 per common share. These units were issued on August 5, 2020 and all the attached warrants expired unexercised.

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.

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.

During the year ended July 31, 2020, the Company repaid the principal balance of US$100,000 in principal along with interest of US$14,400 and penalties of US$14,433. The remaining principal balance of US$300,000 was sold by the lender to Adam Szweras, director the Company ("Adam Szweras") in exchange for settlement of payment in the same amount (the “Loan Note”) (Note 17).

Psychedelic Sciences Corp.

On July 20, 2020, the Company received a $200,000 loan from Psychedelic Sciences Corp (“PSC”). The loan was advanced in anticipation of the acquisition of PSC which took place on August 17, 2020. The loan bears interest at 8% per annum, is unsecured and due on demand. Upon the purchase of PSC, the loan was repaid.

	April 30, 2021	July 31, 2020
	$	**$**
Opening balance	**200,000**	525,920
Repayment of principal	**(200,000)**	(131,480)
Exchanged for convertible debenture (Adam Szweras)	-	(394,920)
Issuance of new promissory note	-	200,000
Finance costs	-	38,367
Interest paid	-	(19,599)
Penalties paid	-	(18,768)
Effect of movement in exchange rates	-	480
Ending balance	-	200,000

16. Lease liabilities

Equipment lease

On July 26, 2018, pursuant to the acquisition of Pasa Verde (Note 3), the Company entered into a lease agreement for extraction equipment for US$26,573 per month until June 29, 2021. In January 2021, the extraction equipment associated with this lease agreement was returned to the leasing company.

As at April 30, 2021, outstanding lease payments amounting to $265,652 (US$212,589) were recorded in accounts payable and accrued liabilities.

Sales and leaseback arrangement

In, 2018, the Company entered into an equipment sale leaseback line of credit agreement (the “sale leaseback agreement”) with a ASC Lease Income LLC and Veterans (“ASC and Veterans”) 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.

As at April 30, 2021, outstanding lease payments due on this arrangement amounted to $922,477 (US$695,113) were recorded in accounts payable and accrued liabilities.

Upon settlement of the outstanding amount due to ASC and Veterans the amounts recorded in accounts payable and accrued liabilities will be adjusted for the sale of equipment.

Facility lease

Sacramento, California

On May 8, 2017, the Company entered into an agreement to lease the facility in Sacramento, California for US$17,600 per month for the period from June 1, 2017 to May 31, 2020. Pursuant to the agreement, the monthly lease payment was to increase by 3% each year.

On February 22, 2018, the Company exercised its option to extend the lease for additional five years to May 31, 2025, whereby the monthly lease payment would increase by 3% each year.

On May 13, 2020, the Company entered into an amended agreement with the lessor, whereby the Company would lease the premise on a month-to-month basis effective June 1, 2020. Pursuant to the amended agreement, the Company would pay US$5,000 (paid) and US$13,672 by September 1, 2020, and the security deposit of US$176,000 would be applied against the May 2020 lease obligation. As a result of the amended agreement, the Company derecognized the remaining lease liability of $1,350,876 (US$1,003,474) and ROU asset of $1,247,058 (US$926,354), resulting in a gain on modification of lease of $103,818 (US$77,120).

In November 2020, the Company terminated this lease and all remaining accounts payable and accrued liabilities were transferred to the new owners with the sale of the Calyx.

Roland Way, Oakland, California

On September 15, 2017, the Company entered into an agreement to lease the facility in Roland Way, Oakland, California for US$4,760 per month for the period from October 9, 2017 to October 31, 2020. Lease payments were to increase 3% each year during the term of the lease.

On June 18, 2020, the Company has terminated the lease agreement and entered into a Debt Conversion Agreement to settle all outstanding lease payments through payment of US$5,000 (paid subsequent to year end) and issuance of 1,405,800 units (issued subsequent to year end) Each unit is comprised of one common share and one warrant, with each warrant exercisable to purchase one common share at $0.05 per common share until December 31, 2020. As a result of the termination of lease agreement, the Company derecognized the remaining lease liability of $20,126 (US$14,950) and ROU asset of $19,268 (US$14,313), resulting in a gain of modification of lease of $858 (US$637).

In November 2020, the Company terminated this lease and all remaining accounts payable and accrued liabilities were transferred to the new owners with the sale of the Calyx.

Pendleton Way, Oakland, California

On September 7, 2018, the Company's subsidiary, Calyx entered into an agreement to lease the facility located in Pendleton Way, Oakland, California for the period from September 15, 2018 to September 14, 2021. Pursuant to the agreement, monthly lease payment amount to US$11,874 and will increase to $12,468 effective September 15, 2021. The Company has an option to renew the lease agreement for additional two years for an increase in lease payments of 5% each year.

As of November 2020, the Company has not exercised this option. Commensurate with the Calyx Sale Agreement, this lease was assumed by the new owner of Calyx.

Chatsworth, California

On July 12, 2019, the Company's subsidiary, Calyx entered into an agreement to lease the facility located in Chatsworth, California ("Chatsworth facility") for the period from July 1, 2019 to June 30, 2022. Pursuant to the agreement, monthly lease payments were US$11,650 commencing July 1, 2019, US$13,250 commencing October 1, 2019 and 3% increase in lease payments commencing in each of July 1, 2020 and July 1, 2021.

On July 12, 2019, the Company's subsidiary Calyx entered into an agreement with Hannah Ashby ("Ashby") to sublease a portion of the Chatsworth facility for US$1,571 per month until June 30, 2022. During the year ended July 31, 2020, the sublease receivable from Ashby was estimated to be uncollectible, and the net investment in sublease of $46,755 (US$34,731) was written off to profit and loss.

In accordance with the terms of the sale of Calyx Sale Agreement, the Company and DB12 have agreed to cooperate in negotiating and obtaining a settlement and release of all amounts due and owing under the lease agreement with respect to the facility in Chatsworth, California ("Lease Settlement"), wherein the Company is guarantor on the lease. In connection with the Lease Settlement, the Company may be liable to reimburse DB12 for up to US$50,000 of the amounts paid by DB12 in respect of the Lease Settlement, of which US$25,000 may be settled by cash payment and the remaining US$25,000 may be settled by issuance of common shares.

As a result of the sale of Calyx in November 2020 the outstanding lease payments that had been recorded in accounts payable and accrued liabilities were transferred to the new owners with the sale of the company's subsidiary Calyx.

17. Convertible debentures

March 2018 convertible debentures (Forced Conversion October 2020)

On March 15, 2018, the Company issued 8,000 Convertible Debentures ("**March 2018 Debenture**") for gross proceeds of $8,000,000. The March 2018 Debentures mature on March 15, 2021, are unsecured, bear semiannual interest at 10% and are convertible into common shares at a conversion price of $0.60 per share.

Each $1,000 principal amount of the March 2018 Debentures issued included 1,667 common share purchase warrants of the Company. 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 considered 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 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.

On October 8, 2020, the Company further amended the terms of the March 2018 convertible debentures to include the following:

I. The conversion price to decrease from $0.15 to $0.02
II. The Company may force conversion of the convertible debentures subject to providing 15 days' notice: and
III. 50% of the common shares issued upon forced conversion will be placed in a 6-monht hold.

During the period ended October 31, 2020 and prior to October 28, 2020 (the date which the March 2018 convertible debentures were forced to convert), holders of the March 2018 convertible debentures converted a combined total of $1,910,000 in principal, resulting in the issuance of 95,500,000 common shares. In connection with the conversion, the Company issued 4,357,512 shares for $87,912 of interest. These shares are subject to a 4-month hold.

On October 28, 2020, the Company exercised its force conversion right with respect to the conversion of the remaining $5,673,000 convertible debentures into 283,650,000 common shares, of which 141,825,000 common shares were issued immediately and the remaining 141,825,000 common shares were subject to a hold. In connection with the conversions, 13,056,651 common shares for $261,113 of interest were issued, the shares issued for interest are subject to a 4-month hold.

On February 19, 2021 the Company announced that the Company has elected to release the remaining shares associated with the conversion of the March 2018 Debentures described in the Company's management information circular dated September 17, 2020. As a result, all of the remaining 141,825,000 shares were issued on February 25, 2021 without trading restriction.

As a result of the amendment, the Company recognized a gain on modification of convertible debentures during the year ended July 31, 2020 in the amount of $307,529.

August 2018 convertible debentures

On August 3, 2018, the Company issued 4,200 convertible debentures ("**August 2018 Debentures**") for aggregate proceeds of $4,200,000. The August 2018 Debentures mature on August 3, 2021, are secured, bear semiannual interest at 10% and are convertible into common shares at a conversion price of $0.60 per share. The convertible debentures are secured by the assets of the Company and its subsidiaries, subject to subordination in certain situations.

Each $1,000 principal amount of the August 2018 Debentures issued included 1,429 common share purchase warrants of the Company. 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 $0.80 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 common share.

If the Company undertakes an equity financing or financing convertible or exchangeable into equity 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.

Further, 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 July 31, 2020, the conversion price of the convertible debentures and warrants exercise price were limited by CSE regulations to $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 were calculated using the Black-Scholes pricing model and are 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.

On November 18, 2020 the Company amended the terms of the August 2018 convertible debentures to include the following:

I. The term of the convertible debentures will be extended by one year to August 3, 2022
II. All interest owing up to the original maturity date will be added to the principal amount of the convertible debentures further interest will be accrued thereafter; and
III. Any conversion to common shares will not be permitted to the extent that such conversion would result in a holder of the convertible debentures becoming a shareholder holding more than 9.99% of the issued and outstanding common shares in the capital of the Company

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 nine months ended April 30, 2021, the Company recognized an unrealized loss on the change in fair value of the derivative liabilities of $1,566,417 (2019 - $1,177,531).

During the nine months ended April 30, 2021, the convertible debenture holders have converted a combined total of $340,000 (2019 - $25,000) principal amount of convertible debentures resulting in the issuance of 6,359,482 (2019 – 125,000) common shares. On conversions, the Company reduced the present value of the liability by $120,264 (2019 - $70,981) and derecognized $57,920 (2019 – $49,105) of the corresponding derivative liability.

For the nine months ended April 30, 2021, the Company recorded accretion expense on the convertible debentures of $556,767 (2019 - $285,450) which was included within finance costs, of which $347,180 (July 31, 2020 - $49,369) was outstanding in accounts payable and accrued liabilities as at April 30, 2021 (Note 14).

As of the above noted amendment dated November 18, 2020, interest owing up to the original maturity date has been added to the principal amount of the August 2018 Convertible Debentures and therefore no interest will be paid on these debentures. The resulting principal amount due under the August 2018 Convertible debentures equal $4,730,124.21 (Note 18).

August 2019 convertible debentures

On August 23, 2019, the Company issued a non-brokered private placement comprised of 1,807 secured convertible debentures ("**August 2019 Debentures**") for an aggregate principal amount of $1,807,000.

The August 2019 Debentures mature on August 23, 2022, are secured by a security agreement, and are convertible into common shares at a conversion price of $0.20 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 9%.

Each $1,000 principal amount of the August 2019 Debentures issued included 5,000 common share purchase warrants of the Company. 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 $0.24 per share.

In connection with the issuance of the August 2019 Debentures, 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 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. Each 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 fair value of $83,534 was assigned to the finder warrants using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield of 0%, volatility of 123.07%, risk-free rate of 1.32% and maturity of 3 years.

For accounting purposes, the convertible debentures are considered compound financial instruments and the proceeds are required to be separated into their liability and equity components. The Company first valued the debt component of the debentures by calculating the present value of the principal, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. On recognition, the fair value of the liability was calculated as $1,357,626.

Of the residual proceeds of $449,374, $204,055 was allocated to the equity component and the remainder to the warrant component 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.

The Company issued common shares for the December 2020 interest payments of $81,983 (7,261,623 shares) and for the June 2020 interest payments of $81,092 (2,442,537 shares). (Note 18).

For the nine ended April 30, 2021, the Company recorded accretion expense on the convertible debentures of $260,501, which was included within finance costs of which $121,972 was outstanding in accounts payable and accrued liabilities as at April 30, 2021.

2020 secured convertible debentures

On March 23, 2020, the Company closed the first tranche of secured convertible debenture ("**2020 Debentures"**) by issuing a total of 853 secured convertible debenture units for gross proceeds of $852,678, of which $64,577 relates to debt settlement and $398,220 (US$300,000) relates to settlement of the promissory note on the Pueblo, Colorado property assigned to Adam Szweras (Note 15).

On May 29, 2020, the Company closed the second tranche of the convertible debenture by issuing a total of 272 secured 2020 Debentures for gross proceeds of $272,000, of which $22,000 relates to convertible debentures issued for debt settlement.

Each convertible debenture consists of a $1,000 principal amount. At the Company's election, interest on the convertible debentures can be paid in either cash or common shares of the Company at a rate of 12% payable semi-annually. At the option of the lenders, the convertible debentures are convertible into common shares at a price of $0.05 per common share at any time prior to maturity.

Each $1,000 principal amount of the 2020 Debentures issued included 20,000 common share purchase warrants of the Company. Each warrant is exercisable into a common share of the Company at a price of $0.05 per common share for 36 months from the date of issuance. These warrants were accounted for as transaction costs, with its value allocated proportionately to the equity and liability components.

For accounting purposes, the convertible debentures are considered compound financial instruments and the proceeds are required to be separated into their liability and equity components. On initial recognition, the Company valued the debt component of the debentures by calculating the present value of the principal, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The residual value was allocated to the equity component.

The fair value of each liability component was calculated as $456,373 for the first tranche and $150,159 for the second tranche. The residual values allocated to the equity components were $184,798 and $49,172 for the first and second tranches, respectively.

A total of 17,053,560 and 5,440,000 warrants were issued for each of the first and second tranches, respectively (Note 20). Fair values of $211,507 and $72,669 were assigned to each issuance using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield of 0%, volatility of 132.02%-141.76%, risk-free rate of 0.48%-0.26% and maturity of 3 years.

The Company issued common shares for the December 2020 interest payments of $89,306 (8,539,203 shares)

For the nine months ended April 30, 2021, the Company recorded accretion expense on the convertible debentures of $40,161, which was included within finance costs and interest expense of $21,700 was outstanding in accounts payable and accrued liabilities (Note 14).

The convertible debentures are secured by a senior lien on the Company's property located in Pueblo, Colorado ("Pueblo Property"). The Company has the option increase the mortgage amount and grant pari-passu position to the Note, provided that the loan to value ratio on the Pueblo Property does not exceed a certain threshold. The Company also has the option to assume additional debts ("Subordinate Debts") secured by the assets that underlie the Secured Note, as long as such obligations are subordinate to the Secured Note.

High Pita Debenture (March 2021)

On March 11th, 2021, the Company closed the purchase agreement of Palo Verde LLC in exchange of outstanding debts. The Company assumed a loan from High-Pita in the amount of $200,000.00 USD that was payable by Palo Verde.

On March 22nd, 2021 the Company converted the High Pita debt into a convertible debenture ("**2021 High Pita Debentures"**) valued at $250,000 CND. The Debenture was issued for three-years with a maturity date of March 21st, 2024, bearing semi-annual interest at 12% annual, which will be convertible into common shares at a conversion price of $0.05 per share.

The debenture has been recorded at a present value of $188,328.89 with residual equity component of $61,671.11 that is allocated over the life of the debenture.

This convertible debenture is not secured by the assets of the Company or its subsidiaries. The convertible debenture contains conversion privileges that are equal to ($250,000.00 / $0.05) 5,000,000 common share at maturity.

(Expressed in Canadian Dollars)

The following is a summary of the convertible debenture liability:

	April 30, 2021	July 31, 2020
	$	$
Balance, beginning of period/year	**10,700,626**	7,547,996
Issuance of convertible debentures	**250,000**	2,931,678
Conversion of principal debenture	**(5,673,000)**	(550,000)
Unamortized present value discount and transaction costs	**(671,504)**	(1,117,537)
Discount amortized	**1,319,131**	2,196,018
Gain on modification of debt	**(521,653)**	(307,529)
Balance, end of period/year	**5,403,600**	10,700,626
Less: Current portion	**-**	6,279,820
Non-current portion	**5,403,600**	4,420,806

The changes to the embedded derivative liabilities are as follows:

	$
Balance, July 31, 2020	**285,573**
Derecognition of derivative liabilities on conversion	**-**
Estimated fair value changes of derivative liabilities during the period	**-**
Balance, April 30, 2021	**285,573**

The Company used the Black-Scholes valuation model to estimate the fair value of the derivative liabilities upon the initial measurement and as at April 30, 2021 and 2020 using the following assumptions:

	April 30, 2021	**July 31, 2020**
Risk-free interest rate	**0.45%-0.50%**	1.55%-1.85%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**117-154%**	117-154%
Expected life of debentures	**1.2-3 years**	0.5-1.5 years
Forfeiture rate	**0%**	0%

(Expressed in Canadian Dollars)

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, 2019	**355,201,524**	**$34,022,041**
Issued on cashless exercise of warrants (iv)	2,000,000	1,282,711
Shares issued pursuant to Moses Garden acquisition (i)	4,331,711	659,050
Shares for debt settlements (ii)(iii)	1,864,235	247,065
Issued for services (x)	401,777	23,447
Shares issued as interest payment on convertible debentures (vi)(vii)	45,146,030	1,685,689
Shares issued on conversion of debentures (viii)(ix)	6,301,147	441,110
Issued on exercise of RSUs (xi)	2,000,000	60,000
Balance, July 31, 2020	**417,246,424**	**$38,421,113**
Shares issued for purchase of PSC (ii)	137,522,968	5,924,663
Shares for debt settlements (i) (iii)	44,253,582	1,084,837
Shares issued on conversion of debentures prior to forced conversion (iv)	95,500,000	528,151
Shares issued as interest payment on debentures prior to forced conversion (v)	4,358,508	261,113
Shares issued on forced conversion of debenture (iv)	283,650,000	1,780,198
Shares issued as interest payment on convertible debentures (v)	15,800,826	178,549
Shares issued as interest payment on forced conversion of debentures	13,055,675	272,077
Balance, April 30, 2021	**1,011,387,983**	**$48,450,701**

Nine months ended April 30, 2021

(i) As a result of the Palo Verde transaction and the assignment of the 3rd party debt from High Pita 2,000,000 common shares in the capital of NHII was issued

(ii) On August 14, 2020, the Company acquired all the outstanding common shares of Psychedelic Science Corp. ("PSC"), a related party by virtue of common directors, in exchange for common shares of the Company on a one-for-one basis(the "Transaction"). See Note #3 Psychedelic Sciences Corp. As such, the acquisition was considered to be a "related party transaction", as defined by Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

(iii) On August 5, 2020 the Company settled Accounts Payable debt with the issueance of common shares (See Note 14)

(iv) Forced Conversatoin (See Note 17)

(v) Interest on convertiable debentures (See Note 17)

Year ended July 31, 2020

(i) On September 11, 2019, the Company issued 4,331,711 common shares to Moses Garden LLC, valued at $659,050 representing the final consideration of assets acquisition completed on January 3, 2019. 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.

(iii) On October 16, 2019, the Company issued 942,858 common shares to a third party pursuant to a settlement agreement entered on September 4, 2019. A gain of $4,726 was recognized on the settlement of $132,012 (US$100,000). The 942,858 common shares were valued at $127,286 based on the share price on the date of issuance.

(iv) On September 19, 2019 the Company issued 2,000,000 shares through the cashless exercise of warrants. As a result of the cashless exercise of warrants, the fair value of the warrants of $1,282,712 was reclassified from reserves to share capital.

(v) 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. These shares were subsequently cancelled prior to yearend and returned to treasury.

(vi) The Company issued a total of 20,003,365 commons shares valued at $853,568 to the holders of the March 2018, August 2018 and August 2019 convertible debentures in December 2019, representing the December 2019 interest payment.

(vii) The Company issued a total of 25,142,674 commons shares valued at $832,121 to the holders of the March 2018, August 2018, and August 2019 convertible debentures in July 2019, representing the June 2020 interest payment.

(viii) During the year ended July 31, 2020, the March 2018 convertible debentures of $310,000 (Note 17) were converted to 1,941,665 common shares.

(ix) During the year ended July 31, 2020, August 2018 convertible debentures of $240,000 (Note 17) were converted to 4,359,482 common shares.

(x) On April 21, 2020 the Company issued 401,777 common shares valued at $22,340 to KW Partners as consideration for services provided.

(xi) On July 20, 2020 the Company issued 2,000,000 common shares valued at $60,000 on the exercise of RSU agreement with Robert Wilson, CFO (Note 19).

<u>Year ended July 31, 2019</u>

(i) 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.

(ii) 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.

(iii) 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;

(iv) 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.

(v) 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 common 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 common share.

(vi) On January 4, 2019, the Company issued 13,432,098 common shares to Moses Garden LLC, 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(Expressed in Canadian Dollars)

19. Reserve for share based payments

	Amount
Balance, July 31, 2019	**$3,358,075**
Options granted	990,283
Options forfeited	(167,465)
RSUs granted	470,370
RSUs exercised	(60,000)
Balance, July 31, 2020	**$4,591,263**
Options granted	85,414
Options forfeited	-
RSUs granted	-
RSUs exercised	-
Balance, April 30, 2021	**$4,676,677**

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 RSUs.

The following is a summary of outstanding stock options for the nine months ended April 30, 2021 and the year ended July 31, 2020:

	Number of Options
Balance, July 31, 2019	**18,387,517**
Options granted (i)(ii)	10,200,000
Options forfeited	(12,607,517)
Options expired	(1,400,000)
Balance, July 31, 2020	**14,580,000**
Options granted (i)(ii)	-
Options forfeited	-
Options expired	(1,450,000)
Balance, April 30, 2021	**13,130,000**

Year ended July 31, 2020

(i) On August 12, 2019, 9,700,000 options valued at $853,734 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.

(Expressed in Canadian Dollars)

(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 years ended July 31, 2020 and 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.

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

	Number of RSUs		Grant date fair value
Balance, July 31, 2019 and 2020	**$ -**	**$**	**-**
RSUs granted	16,969,742	$	0.08
RSUs exercised	(2,000,000)	$	0.03
RSUs cancelled	(2,783,098)	$	0.16
Balance, April 30, 2021	**12,186,644**	**$**	**0.08**

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 April 30, 2021, the following stock options were outstanding:

(Expressed in Canadian Dollars)

Expiry Date	Exercise Price	Number of Outstanding	Number of Exercisable
October 17, 2021	$0.135	1,300,000	1,300,000
April 17, 2022	$0.15	2,400,000	2,400,000
April 17, 2022	$0.15	1,600,000	1,600,000
March 15, 2023	$0.51	150,000	150,000
May 8, 2023	$0.36	2,400,000	2,400,000
August 14, 2023	$0.35	80,000	80,000
August 12, 2024	$0.20	4,700,000	1,566,667
October 12, 2024	$0.20	500,000	200,000
		13,130,000	**9,696,667**

As at April 31, 2021, the weighted average exercise price of options exercisable was $0.216 (July 31, 2020 - $0.22), the weighted average exercise price of options outstanding was $0.212 (July 31, 2020 - $0.22) and the weighted average remaining contractual life of stock options was 1.92 years (July 31, 2020 - 2.56 years). For the nine months ended April 30, 2021 the weighted average exercise price of stock options exercised was $Nil (2019 - $Nil)

Restricted Share Units

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 maximum number of RSUs granted must not exceed 5% 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 Board of Directors.

The following is a summary of the RSUs outstanding for the nine months ended April 30, 2021 and years ended July 31, 2020 and 2019:

	Number of RSUs	Grant date fair value
Balance, July 31, 2019 and 2020	**$ -**	**$ -**
RSUs granted	16,969,742	$ 0.08
RSUs exercised	(2,000,000)	$ 0.03
RSUs cancelled	(2,783,098)	$ 0.16
Balance, April 30, 2021	**12,186,644**	**$ 0.08**

(Expressed in Canadian Dollars)

20. Reserve for warrants

The following table reflects the continuity of warrants:

	Number of Warrants	Amount
Balance, July 31, 2019	**57,898,676**	**$4,101,867**
Warrants issued pursuant to convertible debenture (Note 17)	31,932,069	563,374
Warrants exercised	(3,333,334)	(1,282,711)
Warrants expired	(16,469,396)	-
Balance, July 31, 2020	**70,028,015**	**$3,382,530**
Warrants issued to PSC Shareholders	137,522,968	271,449
Broker warrants	3,001,837	5,925
AP conversion warrants	44,253,581	87,350
Warrants issued to High Pita Debt holders	4,000,000	20,000
Warrants expired	(45,336,871)	-
Warrants exercised	-	-
Balance, April 30, 2021	**213,469,530**	**$3,767,254**

The estimated fair value of warrants issued during the nine months ended April 30, 2021 and year ended July 31, 2020 was determined using the Black-Scholes option pricing model with the following assumptions:

	April 30, 2021	July 31, 2020
Risk-free interest rate	**0.43%**	0.68%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**230%**	131%
Expected life of warrants	**1.29 years**	3 years

(Expressed in Canadian Dollars)

As at April 30, 2021, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants Outstanding and Exercisable
August 3, 2021	$0.32	6,135,309
January 24, 2022	$0.70	132,346
May 29, 2022	$0.30	25,787,000
May 29, 2022	$0.20	2,033,860
May 29, 2022	$0.30	2,995,650
July 24, 2022	$0.20	62,000
August 22, 2022	$0.24	9,305,000
March 31, 2023	$0.05	17,053,560
May 8, 2023	$0.05	5,440,000
June 3 2022	$0.05	100,000,000
July 16 2022	$0.05	13,033,334
July 16 2022	$0.03	1,042,667
July 17 2022	$0.05	21,489,634
July 17 2022	$0.03	1,719,170
July 22 2022	$0.05	3,000,000
July 23 2022	$0.03	240,000
March 14, 2024	$0.05	4,000,000
		213,469,530

As at April 30, 2021, the weighted average exercise price of the warrants was $0.10 (July 31, 2020 - $0.22) and the weighted average remaining contractual life of the warrants was 1.29 years (July 31, 2019 – 2.04 years). During the nine months ended April 30, 2021 the weighted average exercise price of the warrants exercised was $0.018 (July 31, 2020 - $0.06).

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 nine months ended April 30, 2021 and April 30, 2020:

a. Incurred professional fees of $35,000 (2020 - $94,164) from Branson Corporate Services ("BCS"). BCS is a company in which Adam Szweras and his wife have a 39% ownership interest. As at April 30, 2021, $81,068 (July 31, 2020 - $140,306) was due to BCS.

b. Incurred fees of $122,500 (2020 - $135,203) from FMI Capital Advisory Inc. ("FMICA"). FMICA is a subsidiary of Foundation Financial Holdings Corp. ("FFHC"), an entity in which Adam Szweras is a director. As at April 30, 2021, $311,929 (July 31, 2020 - $288,869) was due to FMICA.

   In March 2020, FMICA subscribed to the 2020 secured convertible debentures amounting to $89,000 (Note 17).

c. Incurred marketing expenses of $14,550 (2020 - $112,624) and share-based payments of $Nil (2020 - $25,728) from Plexus Cybermedia Ltd. ("Plexus"), a company in which a director, Brian

Presement, has a 33% ownership interest and is director. As at April 30, 2021, $Nil (July 31, 2020 - $176,983) was due to Plexus.

d. Incurred expenses of $2,152 (2020 - $4,587) from Unite Communications Ltd. ("Unite"), a company in which a director, Brian Presement, has a 100% ownership interest. As at April 30, 2021, $3,230 (July 31, 2020 - $7,902) was due to Unite.

e. Incurred professional fees of $74,258 (2020 - $125,869) from Fogler, Rubinoff, LLP ("Fogler"), a law firm in which a director, Adam Szweras, was a former partner. As at April 30, 2021, $27,522 (July 31, 2020 - $346,427) was due to Fogler.

f. Included in professional fees of $67 (2020 - $83,147) fees charged from Johnson, Rovella, Retterer, Rosenthal & Gilles LLP ("JRG"), a law firm in which a director, Aaron Johnson, is a partner. As at April 30, 2021, $67 (July 31, 2020 - $355,015) was due to JRG.

g. Incurred management compensation to key management and directors of $689,996 (2020 - $302,722.). As at April 30, 2021, $876,384 (July 31, 2020 - $366,388) was owed to officers and directors of the Company. Included in shares to be issued was $Nil (July 31, 2020 - $110,000) to be issued to a director of the Company.

h. Included in accounts payable and accrued liabilities as at April 30, 2021 was a total of $194,128 (July 31, 2020 - $174,429) due to Adam Szweras.

i. Included in accounts payable and accrued liabilities as at April 30,2021 was a total of $Nil (July 31, 2020 - $3,971) due to Brian Presement.

j. Included in March 2018 convertible debentures are $16,000 and $20,000 of convertible debentures issued to Adam Szweras and Brian Presement, respectively. On October 30, 2020 the Company announced the completion of the conversion of the March 2018 debentures which resulted in Adam Szweras and Brian Presement receiving 800,000 and 1,000,000 shares respectively.

k. On September 30, 2020, John Durfy, CEO, Robert Wilson, CFO Taif Amhed, Senior Vice President, through their respective holding companies, together with a non-related party entered into an agreement with a creditor to the Company to purchase US$94,254.85 in debt from the creditor. Such agreement transfers all obligations due by the Company from the creditor to the related parties listed above.

l. Included in August 2019 convertible debentures are $250,000 and $100,000 of convertible debentures issued to Adam Szweras and Brian Presement, respectively.

m. On August 17, 2020 the Company closed the acquisition of Psychedelic Science Corp. A director of the Company, Tom Kruesopon, was a partial owner of Psychedelic Science Corp. As such, the acquisition was considered to be a "related party transaction", as defined by Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

n. During the prior year ended July 31, 2020 Restricted Share Units (RSU's) were issued. These units allow the holder to purchase share at $0.155 per unit and have an expiry date of August 12, 2022
   I. Aaron Johnson received 953,806 units
   II. Brian Presement received 953,806 units
   III. Adam Szweras received 2,129,032 units
   IV. John Durfy received, 5,000,000 units and
   V. Robert Wilson received and exercised 2,000,000 units.

o. Included in 2020 convertible debentures were:
   i. $670,678 received from Adam Szweras;
   ii. $25,000 received from a company controlled by Adam Szweras;
   iii. $50,000 received from Brian Presement;
   iv. $79,000 received from John Durfy, CEO;
   v. $13,000 conversion of amount payable to John Durfy; and
   vi. $10,000 conversion of amount payable to Robert Wilson, CFO

p. On August 3, 2020 the Company entered into settlement agreements with trade creditors representing CAD $1,159,936 to convert such amounts owed into 44,253,582 Units at a deemed price of $0.025 per Unit. Each Unit being comprised of one common share and one common share purchase warrant (a "Warrant") with each Warrant entitling the holder to acquire one common share of the Company at any time on or before December 31, 2020 at a price of $0.05 per share. Included in these trade creditors were related parties as follows:

I. 2,806,120 shares issued to BCS, a company in which Adam Szweras and his wife have a 39% ownership interest;
II. 14,893,580 shares issued to Johnson, Rovella, Retterer, Rosenthal & Gilles LLP, a law firm in which a director, Aaron Johnson, is a partner;
III. 7,079,306 shares issued to Plexus Cybermedia Ltd., a company in which a director, Brian Presement, has a 33% ownership interest;
IV. 284,131 shares issued to Unite Communications Ltd., a company in which a director, Brian Presement, has a 100%% ownership interest;
V. 158,828 shares issued to Brian Presement, Director;
VI. 4,000,000 shares issued to FMICA is a subsidiary of FFHC, an entity in which Adam Szweras is a director;
VII. 7,656,615 shares issued to Fogler, Rubinoff, LLP, a law firm in which a director, Adam Szweras, is an advisor.

q. During the quarter ended April 30, 2021 the Board of Directors of the Company approved a share compensation payment for the Board of Directors and the Executive of the Company. The Board approved the issuance` of XXXX shares as follows subject to approval of the CSE

i. Aaron Johnson, 1,500,000 shares
ii. Brian Presement, 2,250,000 shares
iii. Jason Dyck, 1,500,000 shares
iv. Billy Morrison, 1,500,000
v. Tom Kruesopon, 1,250,000 shares
vi. Adam Szweras, 10,000,000 shares
vii. John Durfy, 15,000,000 shares
viii. Rob Wilson, 10,000,000 shares

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' deficiency on the consolidated statements of financial position. For the nine months ended April 30, 2021, the Company recorded $Nil (2019 - $Nil) of the net loss and comprehensive loss related to Eglinton Medicinal Advisory Ltd.

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 nine months ended April 30, 2021. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of share capital, shares to be issued, reserve for warrants, reserve for share-based payments, reserve for foreign currency translation, equity component of convertible debentures, non-controlling interest, and deficit, which as at April 30, 2021 totaled $2,658,168 (July 31, 2020 - $20,865,563).

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.

24. Financial instruments

Fair value

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 carrying values of the Company's amounts receivable, deposits, accounts payable and accrued liabilities, promissory note payable and convertible debenture advances approximate their fair values due to their short-term nature. The Company designated its cash and investments as fair value through profit and loss, which are measured at fair value and are classified as Level 1. The Company designated derivative liabilities and consideration payable as fair value through profit and loss, which are measured at fair value and classified as Level 3.

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, and 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 as to 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 April 30, 2021, the Company had working capital deficiency of $3,833,686 (July 31, 2020 - $20,563,341), current assets of $3,850,733 (July 31, 2020 - $3,101,291) and current liabilities of $7,684,419 (July 31, 2020 - $23,664,632).

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.

An increase (decrease) of 10% in the currency exchange rate of the Canadian dollar versus US dollar would have impacted net loss by $238,000 (July 31, 2020 - $1,060,000) as a result of the Company's exposure to currency exchange rate fluctuations.

Concentration risk

During the year ended July 31, 2020, line of products produced by one supplier, being Plus Products Inc. ("Plus"), represented approximately 66% (2019 - 85%) of total sales. During the year ended July 31, 2020, the Company ceased to undertake Plus-branded products pursuant to settlement agreement dated December 9, 2019 (Note 25).

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The Company does not have any variable interest-bearing financial liabilities.

25. Commitments and contingencies

Green Therapeutics, LLC

On September 30, 2018, and amended on May 21, 2019, the Company entered into a membership interest purchase agreement (" GTL MIPA") to acquire 75% of Green Therapeutics, LLC ("GTL"), a Nevada limited liability company. Subsequent to the execution of the GTL MIPA, the Company advanced a total of US$1,240,000 (July 31, 2020 - US$1,240,000) to GTL, which together with accrued interest was due on the earlier of March 31, 2021, the closing or termination of the MIPA or any mutually agreed upon term.

On January 5, 2021, the Company entered into a Settlement and Release Agreement for the termination of the GTL MIPA and repayment of the promissory note receivable from GTL as part of the sale of GTL (Note 5) payable in shares of Australis priced at $0.20 per share, as part of the sale of GTL to Australis.

On January 14, 2021 and on January 26, 2021, the Company entered into agreements to sell various promissory notes receivable from GTL with a total of US$190,000 for proceeds of $320,532. The purchaser of the promissory notes shall be entitled to all the rights under the Settlement and Release Agreement with respect to the promissory notes acquired. There is also a profit-sharing arrangement in place with the purchasers of the promissory notes whereby the Company may receive a portion of the profit from sale of Australis shares by these purchasers ("GTL Note Profit Sharing")

On March 23, 2021 the Company executed a direction in accordance with the GTL Settlement Agreement whereby the Company directed that GTL distribute Acquisition Exchangeable Securities ("AES") which are exchangeable into common shares of Australis Capital, issued in settlement of the promissory notes. Such promissory notes are held by the Company and other purchasers of the promissory notes. After satisfying the distributions to the third parties to whom the Company sold promissory notes, the Company received a total of 9,267,341 shares broken down as follows: 7,774,617 AES which are immediately exchangeable into free trading common shares; 1,492,725 AES which may be exchangeable into common shares of Australis

Capital after 6 months ("Restricted AES") and 300,000 AES which the Company agreed to hold for 6 months before conversion.

On April 12, 2021 the Company entered into a private sale of 937,500 common shares of Australis Capital for consideration of $300,000. The remaining balance of 6,537,117 AES were immediately exchanged for free trading common shares of Australis Capital which were received by the company on April 19, 2021.

Subsequent to April 30, 2021 the Company has sold a total of 1,148,500 Australis shares for net consideration of $320,610. Further, the Company has received $31,273 under the GTL Profit Sharing agreement.

Washington lease

In February 2019 the Company, together with the chairman Adam Szweras, entered into a guarantee of a lease agreement between MAKH Properties LLC (the "Lessor") and JBM Enterprises LLC (the "Lessee") which extends to the maturity of the lease in April 2022. As at July 31, 2020, the Lessee was in default under its lease agreement and on November 30, 2020 a legal action was filed against the Company and Adam Szweras in the superior court of Washington State by the Lessor. The action is for outstanding rent of US$122,217. The Company has settled this dispute (see below Litigation).

Good Vybes, LLC

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

The Company has funded a portion the completion of the build-out of the Chatsworth Licensed Premises under the LOI. The LOI had also provided for the parties to enter into services and other ancillary agreements. The terms of the LOI were not fulfilled by GV and Ashby and the Definitive Agreements were not completed.

Settlement with Plus

On December 9, 2019, 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 assumed responsibility for Plus-branded inventory held by Calyx and certain trade receivables and cash balance associated with sales of Plus-branded products. As part of this settlement agreement, Calyx ceased to undertake new sales of Plus-branded products and Plus had agreed to forbear repayment of amount owing to Plus for a period of 180 days.

As at the date of the sale of Calyx on November 5, 2020, net outstanding balance due to Plus was transferred to the buyer of the business.

Calyx Lease Obligation

Pursuant to the Calyx Sale Agreement, the Company and DB12 have agreed to cooperate in negotiating and obtaining a settlement and release of all amounts due and owing under the lease agreement with respect to the facility in Chatsworth, California ("Lease Settlement"), wherein the Company is guarantor on the lease. In connection with the Lease Settlement, the Company shall reimburse DB12 for up to US$50,000 of the amounts paid by DB12 in respect of the Lease Settlement, of which US$25,000 will be settled by cash payment and the remaining US$25,000 will be settled by issuance of common shares.

(Expressed in Canadian Dollars)

Litigation

On August 28, 2020 a legal action was filed against Calyx Brands in the Superior Court of California by Gold Coast Gardens LLC for US$64,678 due under an unsecured trade payable. The Company is not a defendant or otherwise involved in this action.

On November 30, 2020 a legal action was filed against the Company and Adam Szweras in the Superior Court of Washington state by MAKH Properties LLC. The action is for outstanding rent of US$122,217 in regard to a guarantee of a lease agreement between MAKH Properties LLC and Earthsphere LLC (subsequently assigned to JBM LLC). The Company was served under this action on December 3, 2020. The Company has settled this action.

On December 10, 2020, a legal action was filed against the Company and Calyx in the Superior Court of the California by a third-party vendor for overdue trade payable amount to US$367,353. The plaintiff has agreed to release the Company from this action.

26. General and administrative

	Nine months ended April 30, 2021	**Nine months ended April 30, 2020**
	$	**$**
Bad Debt	**-**	47,751
Bank charges	**67,404**	153,239
Dues and subscriptions	**45,462**	31,824
Insurance	**268,456**	516,853
Listing and investor relations	**86,209**	184,210
Office and administrative	**62,333**	624,127
Professional fees	**31,947**	-
Permit and licenses	**37,197**	23,525
Rent and property taxes	**501,359**	30,730
Repairs and maintenance	**17,287**	27,548
Security	**2,370**	259,824
Supplies, maintenance and utilities	**11,049**	3,657
Transportation	**(7,279)**	160,489
Travel	**15,467**	332,983
Total	**1,139,260**	2,396,760

27. Segmented information

For the nine months ended April 30, 2021, the Company recognized sales of $1,428,465 (2019 - $11,043,836) of which approximately 96% (2019 – 99%) were derived from the Company's distribution operation, Calyx, in California. The operation in California were sold as of November 6, 2020.

(Expressed in Canadian Dollars)

	Palo Verde (Colorado)	Pasa Verde (California)	Calyx (California)	Oregon	Colorado	Nevada	Washington	Total
For the nine months ended April 30, 2021								
Total sales	$ 50,753	$ -	$ 1,377,712	$ -	$ -	$ -	$ -	$ 1,428,465
Cost of goods sold	(81,034)	-	(1,158,228)	-	-	-	-	(1,239,262)
Gross profit (loss)	$ (30,281)	$ -	$ 219,484	$ -	$ -	$ -	$ -	$ 189,203
For the nine months ended April 30, 2020								
Total sales	$ -	$ -	$ 11,032,844	$ 10,992	$ -	$ -	$ -	$11,043,836
Cost of goods sold	-	-	(8,525,105)	(10,944)	-	-	-	(8,536,049)
Gross profit (loss)	$ -	$ -	$ 2,507,739	$ 48	$ -	$ -	$ -	$ 2,507,787

	Palo Verde (Colorado)	Pasa Verde (California)	Calyx (California)	Oregon	Colorado	Nevada	Washington	Total
As at April 30, 2021								
Capital assets	$ -	$ -	$ -	$ 1,176,558	$ 443,152	$ 62,835	$ -	$ 1,682,545
Investment property	-	-	-	-	$ 1,165,284	-	-	$ 1,165,284
Intangible assets	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
As at July 31, 2020								
Capital assets	$ -	$ 2,509,500	$ 1,244,135	$ 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

28. Subsequent events

OutCo Acquisition

On June 18, 2020 the Company announced that it has entered into a definitive agreement to acquire the business of OutCo Labs Inc. Nutritional High will acquire the business of OutCo through the purchase of substantially all the assets of OutCo and its subsidiaries including, control and management of all licenced entities, intellectual property, equipment, land, and buildings. Consideration for the purchase shall be as follows:

1. 77,266,667 special warrants (subject to adjustment based on working capital, assumed debt, pending litigation and payroll tax adjustment provisions). Each special warrant will entitle the holder to acquire, for no additional consideration one (1) multiple voting share (a "Multiple Voting Share") of the Company provided that the holders common shares of the Company approve the creation of the Multiple Voting Shares on or before September 1, 2021 (the "MVS Approval Date") and otherwise ten (10) common shares in the capital of the Company ("Common Shares"), with such Special Warrants to be automatically converted forthwith after the earlier of (i) the date of the meeting of holders of Common Shares called to approve, among other things, the creation of the Multiple Voting Shares and (ii) September 1, 2021.
2. 40,666,667 Class A Common Share purchase warrants ("Class A Warrants") each entitling the holder to acquire one Common Share at any time on or before the 24 month anniversary of the closing of the Transaction at an exercise price of Cdn$0.03. The exercise of the Class A Warrants shall be subject to the Company completing a share consolidation whereby the warrant exercise price will be, in effect, over Cdn$0.03 per Class A Warrant.
3. 24,400,000 Class B Common Share purchase warrants ("Class B Warrants") each entitling the holder to acquire one Common Share at any time on or before the 24 month anniversary of the closing of the Transaction at an exercise price of Cdn$0.05. (pre-consolidation)
4. Assumption of approximately US$3 million in debt.
5. Up to US$3 million earnout based on both of OutCo's retail facilities obtaining recreational marijuana licenses within 18 months of closing with such amount to be satisfied through the issuance of Special Warrants. Multiple Voting Shares or Common Shares depending on when such securities become issuable.

Closing of the transaction is subject to a number of conditions including without limitation, settlement of the debt to be assumed in the transaction in item 4 above. The final amount of debt assumed at closing as well as the post-closing working capital adjustment may affect the number of securities issued and percentage ownership of the parties. The Company expects closing will take place in July.

Green Therapeutics, LLC

On January 6, 2021 the Company entered into a Settlement and Release Agreement with the shareholders of GT with respect to the repayment of the promissory note's receivable from GTL. ("GTL Settlement Agreement") (Note 25).

Subsequent to April 30, 2021 the Company has sold a total of 1,148,500 Australis shares for net consideration of $320,610.

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 amounts due from customers, staff shortages, reduced customer demand, and increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company.

On December 9, 2020, Health Canada authorized the approval of a vaccine with conditions under an Interim Order. This is the first of a number of vaccines that Canada is expected to approve in the coming months. On December 11, 2020, the United States Food and Drug Administration approved for emergency use a vaccine to treat COVID-19. This is expected to be the first of a number of vaccines that will be approved in the fight to vaccinate the citizens of Canada and the United States.