THELON CAPITAL LTD.

Management's Discussion and Analysis

For the Three Months Ended December 31, 2014

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2014

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Thelon Capital Ltd. (the "Company" or "Thelon") for the three months ended December 31, 2014 should be read in conjunction with the unaudited condensed interim financial statements for the three months ended December 31, 2014 and the audited financial statements for the year ended September 30, 2014, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at February 27, 2015. All dollar figures stated herein are expressed in Canadian dollars unless otherwise noted.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, the need to obtain additional financing, and uncertainty as to the availability and terms of future financing; uncertainty regarding the closing of the investments in Canadian Mining Company Inc., Thelon Diamonds Ltd., Thelon Diamond Company Limited; THC Medical Systems Ltd. and THC Meds Inc., uncertainty regarding changes in laws, regulations, and guidelines issued by Health Canada; uncertainty regarding the risks inherent in an agricultural business such as insects and plant diseases; product liability; fluctuations in prices; fluctuations in energy costs; and uncertainty as to timely availability of licenses, permits, and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of February 27, 2015 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, the Memorandums of Understanding regarding the Company's investment in Canadian Mining Company Inc., and the Company's investment in Thelon Diamonds Ltd., Thelon Diamond Company Limited, THC Medical Systems Ltd. and THC Meds Inc.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

Thelon Capital Ltd. (the "Company") is a public company incorporated under the Company Act of British Columbia on February 2, 1982. The Company traded on the TSX Venture Exchange from February 4, 2010 until December 22, 2014 when the Company requested the Company's common shares be delisted. The Company has begun a listing application on the Canadian Securities Exchange ("CSE"). The Company also consolidated its share capital on a six old for one new basis on December 23, 2014. All references to share and per share amounts in these financial statements have been adjusted to reflect the share consolidation on a retrospective basis.

The Company's principal business activity has been the acquisition and exploration of mineral properties. The Company holds interests in certain mineral properties and on the basis of information available to date may not have economically viable reserves. The underlying value of the mineral interests and related deferred exploration expenditures is dependent upon the existence and economic recovery of such reserves in the future, confirmation of the Company's interest in the underlying mineral claims, and the ability to raise long-term financing.

On April 10, 2014, the Company announced that it has entered into an arrangement with Net Gram Royalty Co., a private consultant, to further explore and help negotiate Net Gram Royalty agreements with various licensed producers of marijuana for medically prescribed use in Canada.

On April 16, 2014, the Company announced that it entered into a Memorandum of Understanding with Canadian Mining Company Inc. (CNG-TSX.V) to test zeolite in the growing of medical marijuana. $10,000 cash was advanced upon signing with a six month due diligence period. The agreement was subsequently amended on October 31, 2014 to extend the due diligence date to June 30, 2015. The Company committed to fund the extraction, processing, shipping, and professional costs of testing Canadian Mining Company Inc.'s zeolites in the medical marijuana growing process and in zeoponics to a maximum of $50,000. The Company will have a right of first refusal to earn a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia for equitable consideration of monies spent on a go forward basis.

On December 18, 2014, the Company entered into a Plan of Arrangement with Thelon Diamonds Ltd., a wholly owned subsidiary of the Company, and Thelon Diamond Company Limited, a company with common directors. Pursuant to the transaction, Thelon Diamond Company Limited acquired all of the issued and outstanding shares of Thelon Diamonds Ltd. for consideration of $1,000. The Company then transferred its interest in the Lac de Gras diamond mining joint venture with Peregrine Diamonds Ltd. to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited which were distributed to the shareholders of the Company.

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc. and T.H.C. Medical Systems Ltd., (collectively the "Target Companies") and the shareholders of the Target Companies which results in a Reverse Take-Over transaction for accounting purposes. Pursuant to the agreement, 44,612,736 common shares of the Company were issued on January 14, 2015 at $0.045 per share to represent an approximate price of $2,007,572 and on January 22, 2015, 12,363,510 common shares of the Company were issued at $0.045 to represent an approximate price of $556,358. There are an additional 26,823,751 shares that may be issued to the former shareholders of the Target Companies: 16,600,000 common shares of the Company are to be released in the event a license pursuant to Canada's *Marihuana for Medical Purposes Regulations* ("MMPR") is received by one of the two subsidiaries; and 10,233,751 common shares of the Company to be released pending the removal of certain potential liabilities of the Target Companies.

Operations at this time are focused on the review of existing mineral interests, potential acquisitions of additional mineral properties, potential acquisitions of other investments for the Company, closing the transactions announced to date, and sourcing of potential financing for the Company.

The Company's corporate office and principal place of business is at Suite 1500 – 888 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4.

MINERAL INTERESTS

Lac de Gras, Northwest Territories

By agreement dated July 12, 2002, the Company entered into an option agreement to acquire a 100% interest in approximately 48,601 acres located in Lac de Gras, Northwest Territories. Upon commencement of commercial production the optionor will be entitled to a net smelter return royalty of 4% on all minerals, and a gross overriding royalty of 4% on the average appraised value (as defined) of diamonds. Up to 50% of each royalty may be purchased from the optionor in increments of 0.1%, at a cost of $200,000 per increment, for a total cost of $4,000,000 for each royalty.

Consideration is $25,000 on signing and five payments, at six month intervals commencing on May 29, 2003, of $40,000 cash and 200,000 common shares. Total consideration is cash of $225,000 (paid) and 1,000,000 (issued) common shares.

During the year ended September 30, 2004, the Company signed a binding letter of intent with Peregrine Diamonds Ltd. ("Peregrine"), whereby Peregrine can earn up to a 65% interest in all of the Company's mineral properties located in the Northwest Territories by issuing 300,000 (received) treasury shares to the Company in stages and spending $4.1 million ($100,000 reimbursed to the Company) in a combination of exploration and underlying land payments over a period of five years.

During the year ended September 30, 2008, Peregrine earned its 65% interest in the Company's mineral properties in the Northwest Territories.

During the year ended September 30, 2010, management decided not to continue with these projects and accordingly wrote down the accumulated costs.

During the three months ended December 31, 2014, Peregrine issued a cash call notice to the Company for 29.46% being the interest from not participating in prior cash calls. The Company paid the amount of the notice of $2,077 for their 29.46% interest.

On December 18, 2014, the Company entered into a Plan of Arrangement with Thelon Diamonds Ltd. and Thelon Diamond Company Limited, companies with common directors. Pursuant to the transaction, Thelon Diamond Company Limited acquired all of the issued and outstanding shares of Thelon Diamonds Ltd. for consideration of $1,000. The Company then transferred its interest in the Lac de Gras diamond mining joint venture with Peregrine Diamonds to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited which were distributed to the shareholders of the Company.

DEPOSITS

On April 16, 2014, the Company announced that it entered into a Memorandum of Understanding with Canadian Mining Company Inc. (CNG-TSX.V) to test zeolite in the growing of medical marijuana. $10,000 cash was advanced upon signing with a six month due diligence period. The agreement was subsequently amended on October 31, 2014 to extend the due diligence date to June 30, 2015.The Company committed to fund the extraction, processing, shipping, and professional costs of testing Canadian Mining Company Inc.'s zeolites in the medical marijuana growing process and in zeoponics to a maximum of $50,000. The Company will have a right of first refusal to earn a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia for equitable consideration of monies spent on a go forward basis.

RESULTS OF OPERATIONS

The Company's net loss for the three months ended December 31, 2014 was $108,530 as compared to a net loss of $37,170 for the three months ended December 31, 2013.

Advertising and promotion increased to $21,603 (December 31, 2013 - $7,906) as more advertising and promotion was undertaken to increase the Company's profile; bank charges and interest decreased to $5,594 (December 31, 2013 - $7,637) as a result of the interest calculation being adjusted to simple interest on two promissory notes bearing interest at 25% that was previously compounded; consulting fees decreased to $31,600 (December 31, 2013 - $39,500); director fees decreased to $Nil (December 31, 2013 - $6,000) with Mr. Walsh and Mr. Watson not receiving director fees effective October 1, 2014; legal and accounting fees increased to $47,086 (December 31, 2013 - $5,001) in connection with the listing application on the Canadian Securities Exchange and proposed transactions; office and administration fees decreased to $13,813 (December 31, 2013 - $15,216); share-based compensation increased to $7,250 (December 31, 2013 - $Nil) with the fair value on the options vested for investor relations applicable to the current period; shareholder relations increased to $52 (December 31, 2013 - $Nil); telephone costs increased to $2,220 (December 31, 2013 - $382) with the reimbursement of cell phone bills to two directors; transfer agent and exchange fees decreased to $1,313 (December 31, 2013 - $4,806) with reduced share activity pending the listing on the CSE; and travel increased to $18,328 (December 31, 2013 - $490) with increased contact with investors and brokers to increase the Company's profile.

During the three months ended December 31, 2014, there was a gain on the share exchange with Thelon Diamonds Ltd. of $999 (December 31, 2013 - $Nil); a gain on the sale of the Lac de Gras diamond mining joint venture of $57,923 (December 31, 2013 - $Nil); a foreign exchange loss of $1,221 (December 31, 2013 - $353) due to the decline of the Canadian dollar against the US dollar,; and interest income of $56 (December 31, 2013 - $55).

During the three months ended December 31, 2014, there was also an unrealized loss of $9,450 (December 31, 2013 - $12,600) on 315,000 common shares of Zadar Ventures Ltd. During the year ended September 30, 2013, the Company sold an interest in the Pasfield property in the Athabasca Basin that was previously written off for proceeds totaling $106,900 consisting of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. with a fair market value at receipt of $81,900.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Total Interest Income	Net Loss	Loss Per Share
December 31, 2014	$ 56	$ (108,530)	$ (0.01)
September 30, 2014	$ 55	$ (111,640)	$ (0.01)
June 30, 2014	$ 112	$ (1,012,449)	$ (0.05)
March 31, 2014	$ 54	$ (156,381)	$ (0.02)
December 31, 2013	$ 55	$ (37,170)	$ -
September 30, 2013	$ 56	$ (94,472)	$ (0.01)
June 30, 2013	$ 53	$ (82,432)	$ (0.01)
March 31, 2013	$ 54	$ (86,397)	$ (0.01)

LIQUIDITY

The Company does not have any cash flow from operations or any production of mineral resources; accordingly, it must rely on equity financing to fund operations. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to any equity funding.

The Company's cash on hand increased to $285,797 at December 31, 2014 due to the return of the deposit of $200,000 from 8824479 Canada Inc. when the Company's management decided not to pursue a transaction, compared to $238,680 at September 30, 2014.

The Company had working capital of $152,448 at December 31, 2014 compared to a working capital of $123,180 at September 30, 2014.

The Company's current asset balance of $444,515 (September 30, 2014 - $591,782) is comprised of cash of $285,797 (September 30, 2014 - $236,680), amounts receivable of $145 (September 30, 2014 - $90), goods and services tax receivable from the Canada Revenue Agency of $5,088 (September 30, 2014 - $6,077), investments held for sale of $9,450 (September 30, 2014 - $18,900), advances to related parties of $101,132 (September 30, 2014 - $90,132), and prepaid expenses and deposits of $42,903 (September 30, 2014 - $237,903).

The Company's current liabilities total $292,067 (September 30, 2014 - $468,602) is made up of accounts payable and accrued liabilities relating to administrative and exploration expenses of $165,057 (September 30, 2014 - $168,723), promissory notes payable of $27,000 (September 30, 2014 - $27,000), and advances from related parties of $100,010 (September 30, 2014 - $272,879).

On October 2, 2014, the Company issued a promissory note for up to $35,000 to replace the promissory note in the principal amount of $12,700 issued on July 10, 2013. The new note bears a simple interest rate of 25% and due on June 15, 2015. The Company has agreed to also issue common shares in such number to have an aggregate value of $7,925 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company.

The Company's long term liabilities total $361,437 (September 30, 2014 - $180,944) consisting of promissory notes payable that were converted from current promissory notes payable and advances from related parties.

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year. There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

PROPOSED TRANSACTIONS

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc. and T.H.C. Medical Systems Ltd., (collectively the "Target Companies") and the shareholders of the Target Companies which results in a Reverse Take-Over transaction for accounting purposes. Pursuant to the agreement, 44,612,736 common shares of the Company were issued on January 14, 2015 at $0.045 per share to represent an approximate price of $2,007,572 and on January 22, 2015, 12,363,510 common shares of the Company were issued at $0.045 to represent an approximate price of $556,358. There are an additional 26,823,751 shares that may be issued to the former shareholders of the Target Companies: 16,600,000 common shares of the Company are to be released in the event a license pursuant to Canada's *Marihuana for Medical Purposes Regulations* ("MMPR") is received by one of the two subsidiaries; and 10,233,751 common shares of the Company to be released pending the removal of certain potential liabilities of the Target Companies.

The Company does not know nor can it predict the timeframe for the Company to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that the Company will be granted a license under MMPR.

On February 26, 2015, one of the Company's vendors agreed to a shares-for-debt transaction in the amount of $23,962.

OFF-BALANCE SHEET ARRANGEMENTS

None

TRANSACTIONS WITH RELATED PARTIES

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the three months ended December 31, 2014 and 2013:

(Expressed in Canadian Dollars)

	Consulting	Director Fees	Office and Administration	December 31, 2014 Total
BUA Capital Management Ltd.	$ 22,500	$ -	$ -	$ 22,500
BUA Group Holdings Ltd.	-	-	12,300	12,300
GRW Inc.	9,000	-	-	9,000
	$ 31,500	**$ -**	**$ 12,300**	**$ 43,800**

	Consulting	Director Fees	Office and Administration	December 31, 2013 Total
BUA Capital Management Ltd.	$ 22,500	$ -	$ -	$ 22,500
BUA Group Holdings Ltd.	-	-	12,300	12,300
Geoff Watson	-	3,000	-	3,000
GRW Inc.	9,000	-	-	9,000
Jason Walsh	-	3,000	-	3,000
	$ 31,500	$ 6,000	$ 12,300	$ 49,800

BUA Capital Management Ltd. provides consulting services to the Company and is a private company controlled by a director, Jason Walsh. At December 31, 2014, the Company owed $126,294 (September 30, 2014 - $125,543) to BUA Capital Management Ltd. which is included in long term promissory notes payable from amounts due to related parties at September 30, 2014.

BUA Group Holdings Ltd. provides administration services to the Company and is a private company controlled by a director, Jason Walsh. At December 31, 2014, the Company owed $Nil (September 30, 2014 - $Nil) to BUA Group Holdings Ltd.

Geoff Watson is the Chief Financial Officer and a director of the Company. At December 31, 2014, the Company owed $26,000 (September 30, 2014 - $26,000) to Mr. Watson for unpaid director fees which is included in amounts due to related parties.

GRW Inc. provides consulting services to the Company and is a private company controlled by the Chief Financial Officer, Geoff Watson. At December 31, 2014, the Company owed $30,543 (September 30, 2014 – $30,543) to GRW Inc. which is included in long term promissory notes payable, from amounts due to related parties at September 30, 2014.

Hardcastle Capital Partners Corp. provides consulting services to the Company and is a private company controlled by the President and Chief Executive Officer, Scott Walters, on December 31, 2014. At December 31, 2014, the Company owed $6,500 (September 30, 2014 – $13,000) to Hardcastle Capital Partners Corp. which is included in amounts due to related parties.

Jason Walsh is a director of the Company. At December 31, 2014, the Company owed $23,944 (September 30, 2014 – $24,403) to Mr. Walsh which is included in the amounts due to related parties. Mr. Walsh is also owed $25,000 (September 30, 2014 – $25,000) for unpaid director fees which is included in amounts due to related parties.

Thelon Diamond Company Limited is a private company with common directors controlled by Jason Walsh, At December 31, 2014, the Company owed $14,000 (September 30, 2014 - $Nil) to Thelon Diamond Company Limited which is included in amounts due to related parties. The Company also issued a promissory note in the principal amount of $74,125 on August 15, 2014 to Thelon Diamond Company Limited, a private company with common directors. The note is without interest and due on January 1, 2016. At December 31, 2014, $72,350 (September 30, 2014 – $72,350) is owed against the note. The note is included in long term promissory notes payable.

International Ranger Corp. is a public company with common directors. At December 31, 2014, the Company owed $20,000 (September 30, 2014 – $20,000) to International Ranger Corp. which is included in long term promissory notes payable, from amounts due to related parties at September 30, 2014.

Scout Exploration Inc. is a public company with common directors, At December 31, 2014, the Company owed $4,373 (September 30, 2014 – $4,373) to Scout Exploration Inc. which is included in amounts due to related parties.

Mark Tommasi is a director on December 31, 2014. At December 31, 2014, the Company owed $194 (September 30, 2014 - $4,017) to Mr. Tommasi, for reimbursement of expenses. The amount is included in amounts due to related parties.

At December 31, 2014, the Company was owed $90,377 (September 30, 2014 - $79,377) from Zadar Ventures Ltd., a public company with common directors. The amount is included in amounts due from related parties.

At December 31, 2014, the Company was owed $302 (September 30, 2014 - $302) from United Zeolite Ltd., a private company with common directors. The amount is included in amounts due from related parties.

At December 31, 2014, the Company was owed $10,453 (September 30, 2014 - $10,453) from 1177129 Alberta Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in amounts due from related parties.

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment; accordingly the fair value cannot be practicably determined.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, investments held for sale, amounts due to/from related parties, accounts payable and accrued liabilities, and promissory notes payable approximate their carrying values due to the immediate or short-term nature of these instruments.

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investment held for sale has been valued using a Level 1 valuation technique.

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and amounts due from related parties. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, property exploration and development, or the proposed transactions. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at September 30, 2014 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is exposed to interest rate price risk as its promissory notes bear interest at fixed rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to accounts payable and accrued liabilities that are denominated in US dollars.

	December 31 2014 USD	September 30 2014 USD
Accounts payable and accrued liabilities	**$ 31,054**	$ 31,054

At December 31, 2014, financial instruments were converted at a rate of $1.00 Canadian to US$1.1601.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position or net loss at this time.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

Price risk

Price risk is the risk that the fair value of investments will decline below the cost of the underlying investments. The Company is exposed to price risk regarding its investments held for sale. The Company manages this price risk by monitoring the investment on a regular basis.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has not proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of it equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may by exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

At this time, the Company's primary mineral interest is located in the United States. Future changes in exchange rates could materially affect the viability of exploring and development this property.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

Risks associated medical marijuana business

The Company does not know nor can it predict the timeframe for THC Medical Systems Ltd. and/or THC Meds Inc. to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that THC Medical Systems Ltd. and/or THC Meds Inc. will be granted a license under MMPR.

The following risk factors should be carefully considered in evaluating the Company, its acquisition of THC Medical Systems Ltd. and THC Meds Inc., and the resulting Company post transaction. The risks presented below may not be all of the risks that the Company post transaction and THC Medical Systems Ltd. and/or THC Meds Inc. may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which THC Medical Systems Ltd. and/or THC Meds Inc. currently compete is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Reliance on license

THC Medical Systems Ltd. and/or THC Meds Inc.'s ability to grow, store, and sell medical marijuana in Canada is dependent on obtaining a license under the MMPR from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Regulatory risks

The activities of THC Medical Systems Ltd. and/or THC Meds Inc. are subject to regulation by governmental authorities, particularly Health Canada. Achievement of THC Medical Systems Ltd. and/or THC Meds Inc.'s business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. THC Medical Systems Ltd. and/or THC Meds Inc. cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Change in laws, regulations, and guidelines

THC Medical Systems Ltd. and/or THC Meds Inc.'s operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of THC Medical Systems Ltd. and/or THC Meds Inc.'s management is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of THC Medical Systems Ltd. and/or THC Meds Inc. may cause adverse effects to THC Medical Systems Ltd. and/or THC Meds Inc.'s operations.

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the Marihuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on THC Medical Systems Ltd. and/or THC Meds Inc. are unknown. It is unclear how the Government of Canada will react to this order or how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of THC Medical Systems Ltd. and/or THC Meds Inc. represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, in which THC Medical Systems Ltd. and/or THC Meds Inc. is a licensed producer. This could significantly reduce the addressable market for THC Medical Systems Ltd. and/or THC Meds Inc.'s products and could materially and adversely affect the business, financial condition, and results of operations of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations, or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on THC Medical Systems Ltd. and/or THC Meds Inc.'s operations that is materially different than the effect on similar-sized companies in the same business as THC Medical Systems Ltd. and/or THC Meds Inc..

Limited operating history

THC Medical Systems Ltd. and/or THC Meds Inc., has yet to generate revenue from the sale of products. THC Medical Systems Ltd. and/or THC Meds Inc. is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that THC Medical Systems Ltd. and/or THC Meds Inc. will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Reliance on management

The success of THC Medical Systems Ltd. and/or THC Meds Inc. is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on THC Medical Systems Ltd. and/or THC Meds Inc.'s business, operating results, or financial condition.

Factors which may prevent realization of growth targets

THC Medical Systems Ltd. and/or THC Meds Inc. are currently in the early development stage. THC Medical Systems Ltd. and/or THC Meds Inc.'s growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that THC Medical Systems Ltd. and/or THC Meds Inc. may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

THC Medical Systems Ltd. and/or THC Meds Inc. has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability

THC Medical Systems Ltd. and/or THC Meds Inc. has incurred losses in recent periods. THC Medical Systems Ltd. and/or THC Meds Inc. may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, THC Medical Systems Ltd. and/or THC Meds Inc. expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If THC Medical Systems Ltd. and/or THC Meds Inc.'s revenues do not increase to offset these expected increases in costs and operating expenses, THC Medical Systems Ltd. and/or THC Meds Inc. will not be profitable.

Additional financing

The building and operation of THC Medical Systems Ltd. and/or THC Meds Inc.'s facilities and business are capital intensive. In order to execute the anticipated growth strategy, THC Medical Systems Ltd. and/or THC Meds Inc. will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to THC Medical Systems Ltd. and/or THC Meds Inc. or the Company when needed or on terms which are acceptable. THC Medical Systems Ltd. and/or THC Meds Inc.'s inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit THC Medical Systems Ltd. and/or THC Meds Inc.'s growth and may have a material adverse effect upon future profitability. THC Medical Systems Ltd. and/or THC Meds Inc. and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

There is potential that THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than THC Medical Systems Ltd. and/or THC Meds Inc. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Because of the early stage of the industry in which THC Medical Systems Ltd. and/or THC Meds Inc. operates, THC Medical Systems Ltd. and/or THC Meds Inc. expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and THC Medical Systems Ltd. and/or THC Meds Inc. expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, THC Medical Systems Ltd. and/or THC Meds Inc. will require a continued high level of investment in research and development, marketing, sales, and client support. THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Risks inherent in an agricultural business

THC Medical Systems Ltd. and/or THC Meds Inc.'s business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although THC Medical Systems Ltd. and/or THC Meds Inc. grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

THC Medical Systems Ltd. and/or THC Meds Inc.'s medical marijuana growing operations consume considerable energy, making THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of THC Medical Systems Ltd. and/or THC Meds Inc. and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of THC Medical Systems Ltd. and/or THC Meds Inc.'s products, THC Medical Systems Ltd. and/or THC Meds Inc. will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. Rising costs associated with the courier services used by THC Medical Systems Ltd. and/or THC Meds Inc. to ship its products may also adversely impact the business of THC Medical Systems Ltd. and/or THC Meds Inc. and its ability to operate profitably.

Unfavourable publicity or consumer perception

THC Medical Systems Ltd. and/or THC Meds Inc. believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of THC Medical Systems Ltd. and/or THC Meds Inc.'s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for THC Medical Systems Ltd. and/or THC Meds Inc.'s products and the business, results of operations, financial condition and cash flows of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. THC Medical Systems Ltd. and/or THC Meds Inc.'s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on THC Medical Systems Ltd. and/or THC Meds Inc. and the Company, the demand for THC Medical Systems Ltd. and/or THC Meds Inc.'s products, and the business, results of operations, financial condition and cash flows of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or THC Medical Systems Ltd. and/or THC Meds Inc.'s products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, THC Medical Systems Ltd. and/or THC Meds Inc. faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of THC Medical Systems Ltd. and/or THC Meds Inc.'s products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of THC Medical Systems Ltd. and/or THC Meds Inc.'s products or in combination with other medications or substances could occur. THC Medical Systems Ltd. and/or THC Meds Inc. and the Company may be subject to various product liability claims, including, among others, that THC Medical Systems Ltd. and/or THC Meds Inc.'s products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against THC Medical Systems Ltd. and/or THC Meds Inc. could result in increased costs, could adversely affect THC Medical Systems Ltd. and/or THC Meds Inc.'s reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. There can be no assurances that THC Medical Systems Ltd. and/or THC Meds Inc. will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of THC Medical Systems Ltd. and/or THC Meds Inc.'s potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of THC Medical Systems Ltd. and/or THC Meds Inc.'s products are recalled due to an alleged product defect or for any other reason, THC Medical Systems Ltd. and/or THC Meds Inc. could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. THC Medical Systems Ltd. and/or THC Meds Inc. may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although THC Medical Systems Ltd. and/or THC Meds Inc. has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of THC Medical Systems Ltd. and/or THC Meds Inc.'s significant brands were subject to recall, the image of that brand and THC Medical Systems Ltd. and/or THC Meds Inc. could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for THC Medical Systems Ltd. and/or THC Meds Inc.'s products and could have a material adverse effect on the results of operations and financial condition of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. Additionally, product recalls may lead to increased scrutiny of THC Medical Systems Ltd. and/or THC Meds Inc.'s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

THC Medical Systems Ltd. and/or THC Meds Inc.'s business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, THC Medical Systems Ltd. and/or THC Meds Inc. might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to THC Medical Systems Ltd. and/or THC Meds Inc. in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Dependence on suppliers and skilled labour

The ability of THC Medical Systems Ltd. and/or THC Meds Inc. to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that THC Medical Systems Ltd. and/or THC Meds Inc. will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by THC Medical Systems Ltd. and/or THC Meds Inc.'s capital expenditure program may be significantly greater than anticipated by THC Medical Systems Ltd. and/or THC Meds Inc.'s management, and may be greater than funds available to THC Medical Systems Ltd. and/or THC Meds Inc., in which circumstance THC Medical Systems Ltd. and/or THC Meds Inc. may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of THC Medical Systems Ltd. and/or THC Meds Inc..

Difficulty to forecast

THC Medical Systems Ltd. and/or THC Meds Inc. must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

Operating risk and insurance coverage

THC Medical Systems Ltd. and/or THC Meds Inc. has insurance to protect its assets, operations, and employees. While THC Medical Systems Ltd. and/or THC Meds Inc. believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which THC Medical Systems Ltd. and/or THC Meds Inc. is exposed. In addition, no assurance can be given that such insurance will be adequate to cover THC Medical Systems Ltd. and/or THC Meds Inc.'s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If THC Medical Systems Ltd. and/or THC Meds Inc. were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if THC Medical Systems Ltd. and/or THC Meds Inc. were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when the Company post transaction's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

THC Medical Systems Ltd. and/or THC Meds Inc. may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of THC Medical Systems Ltd. and/or THC Meds Inc. to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of THC Medical Systems Ltd. and/or THC Meds Inc. to deal with this growth may have a material adverse effect on THC Medical Systems Ltd. and/or THC Meds Inc.'s business, financial condition, results of operations and prospects.

Conflicts of interest

Certain of the directors and officers of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company and as officers and directors of such other companies.

Litigation

THC Medical Systems Ltd. and/or THC Meds Inc. may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which THC Medical Systems Ltd. and/or THC Meds Inc. becomes involved be determined against THC Medical Systems Ltd. and/or THC Meds Inc. such a decision could adversely affect its ability to continue operating and the market price for the Company post transaction common shares and could use significant Company resources. Even if THC Medical Systems Ltd. and/or THC Meds Inc. is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company's post transaction's common shares may be subject to wide price fluctuations

The market price of the Company post transaction's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company post transaction and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company post transaction and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's post transaction control In addition, stock markets have from time to time experienced extreme price and volume fluctuations, as well as general economic and political conditions which could adversely affect the market price of the Company's post transaction common shares.

Dividends

The Company pre or post transaction has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Environmental and employee health and safety regulations

THC Medical Systems Ltd. and/or THC Meds Inc.'s operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. THC Medical Systems Ltd. and/or THC Meds Inc. will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to THC Medical Systems Ltd. and/or THC Meds Inc.'s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and financial condition of THC Medical Systems Ltd. and/or THC Meds Inc. and the Company post transaction.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

The Company classifies its financial assets into categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss in the statement of comprehensive loss. Investments in marketable securities are classified as a fair value through profit and loss financial asset.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest rate method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, amounts receivable, advances to related parties, and deposits as loans and receivables.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method.

If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the statement of comprehensive loss. The Company has not classified any assets as an available-for-sale asset.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest rate method. The Company has classified accounts payable and accrued liabilities, promissory notes payable, and advances from related parties as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Impairment

At each financial position reporting date, the carrying amounts of the Company's long lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell, and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the legal or constructive obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation, and environmental costs as the disturbance to date is minimal.

CRITICAL ACCOUNTING ESTIMATES

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following is the key estimate and assumption uncertainty that has a significant risk of resulting in a material adjustment within the next financial year:

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company’s statement of comprehensive loss. For the three months ended December 31, 2014, the Company recognized share-based compensation expense of $7,250 (December 31, 2013 - $Nil).

CRITICAL JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements:

Income taxes

The measurement of deferred income tax assets requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the audited annual financial statements.

(Expressed in Canadian Dollars)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

CAPITAL RESOURCES

Common shares

	Number	Issued Price	Amount
Balance at September 30, 2013	15,556,708	$ -	$ 22,052,799
Shares cancelled for non-payment	(41,667)	0.250	(62,500)
Warrants exercised	3,183,333	0.300	955,000
Balance at September 30, 2014	18,698,374	-	22,945,299
Share to be issued	-	-	7,925
Shares issued per Share Exchange Agreement	56,976,246	0.045	2,563,931
Balance at February 27, 2015	**75,674,620**	**$ -**	**25,517,155**

Escrow Shares

Currently 4,167 shares (September 30, 2014 – 4,167) are held in escrow.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2013	8,416,666	$ 0.30
Warrants exercised	(3,183,333)	0.30
Balance at September 30, 2014 and February 27, 2015	**5,233,333**	**$ 0.30**

(Expressed in Canadian Dollars)

Expiry Date	Number of Warrants	Exercise Price
September 25, 2016	5,233,333	$ 0.30

Stock Options

	Number of Options	Weighted Average Exercise Price
Balance at September 30, 2013	-	$ -
Options granted	1,583,334	0.60
Balance at September 30, 2014 and February 27, 2015	**1,583,334**	**$ 0.60**

Date of Grant	Expiry Date	Number of Options Exercisable	Number of Options Outstanding	Exercise Price
April 10, 2014	April 10, 2016	1,562,501	1,583,334	$ 0.60

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.