THC MEDS INC.

Condensed Interim Financial Statements

For the Three Months Ended October 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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Condensed Interim Financial Statements

For the Three Months Ended October 31, 2014 **Page**

THC MEDS INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	(Unaudited) October 31 2014	(Audited) July 31 2014
Assets		
Current		
Cash	**$ 248,177**	$ -
Amounts receivable	**1,200**	-
Goods and services tax receivable	**492**	-
	249,869	-
Non-current		
Property (note 4)	**341,604**	-
	$ 591,473	$ -
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,986**	$ -
Current portion of mortgage payable (note 5)	**7,192**	-
Advances from related parties (note 7)	**15,036**	1,241
	24,214	1,241
Non-current		
Mortgage payable (note 5)	**242,808**	-
	267,022	1,241
Shareholders' Equity		
Share capital - Class A (note 6)	**331,307**	108
Share capital - Class B (note 6)	**12**	7
Subscriptions receivable	**(12)**	(115)
Accumulated deficit	**(6,856)**	(1,241)
	324,451	(1,241)
	$ 591,473	$ -

Nature and continuance of operations (note 1)
Subsequent events (note 9)

These financial statements were authorized for issue by the Board of Directors on March 20, 2015. They are signed on the Company's behalf by:

____________________ Director   ____________________ Director

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

THC MEDS INC.

Condensed Interim Statement of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

		(Unaudited) For the Three Months Ended October 31 2014
Administrative expenses		
Advertising and promotion	$	20
Bank charges and interest		19
Legal		4,805
Office expenses		733
Travel		38
Net and comprehensive loss for the period	$	(5,615)
Basic and diluted loss per share	$	(0.45)
Weighted average number of shares outstanding		12,556

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

THC MEDS INC.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares		Share Capital				(Unaudited)
	Class A	Class B	Class A	Class B	Subscriptions Receivable	Deficit	Total Equity
Balance at July 31, 2014	10,800	720	$ 108	$ 7	$ (115)	$ (1,241)	$ (1,241)
Shares issued for cash	1,793	480	359,999	5	(5)	-	359,999
Share issuance costs	-	-	(28,800)	-	-	-	(28,800)
Subscriptions received	-	-	-	-	108	-	108
Loss for the period	-	-	-	-	-	(5,615)	(5,615)
Balance at October 31, 2014	**12,593**	**1,200**	**$ 331,307**	**$ 12**	**$ (12)**	**$ (6,856)**	**$ 324,451**

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

THC MEDS INC.

Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

		(Unaudited) For the Three Months Ended October 31 2014
Cash provided by (used for)		
Operating activities		
Net loss for the period	$	(5,615)
Net change in non-cash working capital		(1,692)
		(7,307)
Financing activities		
Advances from related parties		13,795
Issuance of shares for cash, net of share issuance costs		331,199
Share subscriptions received		108
		345,102
Investing activities		
Acquisition of property		(89,618)
		(89,618)
Net increase (decrease) in cash		248,177
Cash, beginning of period		-
Cash, end of period	$	248,177
Supplemental cash flow disclosure:		
Acquisition of property by assumption of mortgage	$	250,000

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

1. NATURE AND CONTINUANCE OF OPERATIONS

THC Meds Inc. (the "Company") is a private company incorporated under the Business Corporations Act of the Province of British Columbia on December 13, 2013.

The Company has an application with Health Canada for a producer's license under Canada's Marihuana for Medical Purposes Regulations ("MMPR"). The Company intends to distribute medical marijuana to the general public. Its sister company, THC BioMed Ltd., also has an application with Health Canada for a producer's license under Canada's MMPR that intends to cultivate medical marijuana and conduct scientific research and development in order to offer products and services through two revenue streams: (a) medical marijuana sales to other MMPR licensed producers; and (b) products and services related to medical marijuana.

The Company has an existing 3,000 square foot facility in Kelowna, British Columbia.

The Company's corporate office and principal place of business is at Suite 201 – 347 Leon Avenue, Kelowna, British Columbia, Canada, V1Y 8C7.

These 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 raise adequate financing to continue its application with Health Canada for an MMPR license, and to cultivate medical marijuana and conduct scientific research and development in order to offer products and services to other MMPR licensed producers. To date the Company has not generated any revenues and is considered to be in the development stage. These factors create material uncertainty that cast significant doubt about the Company being able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Further discussion of liquidity risk has been disclosed in Note 8c.

2. BASIS OF PREPARATION

a) Basis of presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PREPARATION (continued)

b) Foreign currencies

The presentation and functional currency of the Company is the Canadian Dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange differences are recognized in the statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

c) Significant accounting judgments and estimates

The preparation of the financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) 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 are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. For the three months ended October 31, 2014, impairments of non-financial assets were $Nil.

ii) 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:

(a) 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.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

ii) Critical judgments used in applying accounting policies (continued)

(b) Purchase price allocation

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized in 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.

i) 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:

(a) 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. The Company has not classified any assets as fair value through profit and loss.

(b) 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 and amounts receivable as loans and receivables.

(c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments (continued)

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.

(d) 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.

ii) Financial liabilities

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

(a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) 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, advances from related parties, and mortgage payable as other financial liabilities.

b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand.

c) Property

Property is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in period of acquisition, only one-half of normal rates are used:

Building	4%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Impairment (continued)

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 periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

e) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

ii) Equity units

Proceeds received on the issuance of units comprised of common shares and warrants are allocated on the residual value method where proceeds are allocated to the common shares up to their fair value and the balance, if any, to the reserve for the warrants.

iii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction.

f) Loss per share

The Company presents basic and diluted loss per share data for its common shares that have the same rights and restrictions, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the period end, adjusted for amendments to the tax payable with regards to previous periods.

Deferred tax is provided using the statement of financial position liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition and development of properties are added to the costs of those assets until such time as the assets are substantially completed and ready for use. All other borrowing costs are recognized in the statement of comprehensive loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Segment reporting

The Company operates in a single reportable segment being the scientific research and development, and cultivation of medical marijuana.

k) 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.

IFRS 15 *Revenue Recognition*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Management has not yet determined the potential impact the adoption of IFRS 15 will have on the Company's financial statements.

(Expressed in Canadian Dollars)

4. PROPERTY

	Land	Buildings	Total
Cost			
Purchase price	$ 198,167	$ 141,451	$ 339,618
Carrying costs	1,159	827	1,986
Balance at October 31, 2014	**$ 199,326**	**$ 142,278**	**$ 341,604**
Accumulated Depreciation			
Balance at July 31, 2014	$ -	$ -	$ -
Depreciation for the period	-	-	-
Balance at October 31, 2014	**$ -**	**$ -**	**$ -**
Carrying Amounts			
At July 31, 2014	$ -	$ -	$ -
At October 31, 2014	**$ 199,326**	**$ 142,278**	**$ 341,604**

The Company acquired the property to house their warehouse and laboratory facilities on October 2, 2014 for cash and mortgage payable totaling $339,618, of which $198,167 was attributed to the land and $141,451 to the building. All costs of modifications to the property to meet all specifications required by Health Canada will be capitalized along with the mortgage interest. Depreciation will begin when the building is in use.

5. MORTGAGE PAYABLE

The Company has a mortgage payable on its property in the principal amount of $250,000 with interest at 10.0% per annum compounded semi-annually, with monthly payments of $2,656 due on the 2nd day of each month. The first payment is due on November 2, 2014 and it matures on October 2, 2017.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of Class A voting common shares without par value;
Unlimited number of Class B voting common shares without par value;
Unlimited number of Class C voting common shares without par value;
Unlimited number of Class D voting common shares without par value;
Unlimited number of Class E non- voting common shares without par value;
Unlimited number of Class F non-voting common shares without par value;
Unlimited number of Class G non- voting common shares without par value;
Unlimited number of Class H preferred shares with a par value of $100.00 each;
Unlimited number of Class I preferred shares with a par value of $0.01 each;
Unlimited number of Class J preferred shares with a par value of $0.01 each; and
Unlimited number of Class K preferred shares with a par value of $0.01 each.

Issued:

i) Class A common shares

	Number	Issued Price	Amount
Balance at December 13, 2013	-	$ -	$ -
Shares issued for cash	10,800	0.01	108
Balance at July 31, 2014	10,800	0.01	108
Shares issued for cash	1,793	200.78	359,999
Share issuance costs	-	-	(28,800)
Balance at October 31, 2014	**12,593**	**$ -**	**$ 331,307**

On May 29, 2014, 100 common shares were issued for $0.01 per share for gross proceeds of $1. On May 30, 2014, these common shares were changed to 100 Class A common shares pursuant to a reorganization of the Company's share capital.

On May 30, 2014, 10,700 Class A common shares were issued for $0.01 per share for gross proceeds of $107.

On September 29, 2014, 1,793 Class A common shares were issued for $200.78 per share for gross proceeds of $359,999. A finder's fee of 8% was paid in the amount of $28,800.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

a) Common shares (continued)

ii) Class B common shares

	Number	Issued Price	Amount
Balance at December 13, 2013	-	$ -	$ -
Shares issued for cash	720	0.01	7
Balance at July 31, 2014	720	0.01	7
Shares issued for cash	480	0.01	5
Balance at October 31, 2014	**1,200**	**$ 0.01**	**$ 12**

On June 5, 2014, 120 Class B common shares were issued for $0.01 per share for gross proceeds of $1.

On June 11, 2014, 360 Class B common shares were issued for $.01 per share for gross proceeds of $4.

On June 30, 2014, 240 Class B common shares were issued for $.01 per share for gross proceeds of $2.

On August 4, 2014, 240 Class B common shares were issued for $.01 per share for gross proceeds of $2.

On August 22, 2014, 240 Class B common shares were issued for $.01 per share for gross proceeds of $2.

7. RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. There was no compensation costs paid to key management personnel for the three months ended October 31, 2014.

Hee Jung Chun is the President and a director, and John Miller is the Secretary and a director. Ms. Chun and Mr. Miller founded the Company. At October 31, 2014, the Company owed them $13,795 which is included in the advances from related parties.

At October 31, 2014, the Company owed $1,241 to THC BioMed Ltd., a private company with common directors, which is included in the advances from related parties.

Amount due to related parties are unsecured, non-interest bearing, and due on demand.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

b) 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).

c) Financial risk management

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

i) 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. 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.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming periods will be through debt or equity financing (note 9). Cash on hand at October 31, 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.

iii) 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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(a) 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 mortgage payable bears interest at a fixed rate.

(b) 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 not exposed to foreign currency risk as it has no monetary assets and liabilities dominated in a foreign currency.

(c) Capital risk management

The Company will manage 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 capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The availability of new capital will depend on many factors including receipt of the MMPR license from Health Canada, 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.

(d) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk). The Company is not exposed to price risk as it has no investments held for sale.

9. SUBSEQUENT EVENTS

Through the completion of a share exchange agreement, on January 14, 2015, Thelon Capital Ltd. ("Thelon") a public company, acquired 100% of the issued and outstanding shares of THC Meds Inc. and a related company, THC BioMed Ltd. in exchange for 56,976,246 common shares of Thelon. There are an additional 26,823,751 earn out shares that may be issued by Thelon to the former shareholders of the Company and THC BioMed Ltd. on the accomplishment of certain milestones: 16,600,000 common shares of Thelon to be released in the event that an MMPR license is granted by Health Canada to either of THC Meds Inc. or THC BioMed Ltd..; and 10,223,751 common shares of Thelon to be released pending the removal of certain potential liabilities of THC Meds Inc. and THC BioMed Ltd. These potential liabilities involve financing fees payable upon the raising of capital for the Company while a private company (see below).

On March 6, 2015, Thelon Capital Ltd. received a demand letter from counsel for Jacob Securities Inc. demanding that a 10% equity stake in Thelon Capital Ltd. and 8% broker warrants on the gross proceeds raised in 2014 for the Company and THC BioMed Ltd. be delivered immediately. The letter states that the demand is based on two engagement letters that were terminated subsequent to the year-end: one between Jacob Securities Inc. and the Company dated April 25, 2014; and one between Jacob Securities Inc. and THC BioMed Ltd. dated May 7, 2014. THC Meds Inc. and THC BioMed Ltd. report that no consideration was provided by Jacob Securities Inc. pursuant to the engagement letters and because of this and other reasons, no payment is due to Jacob Securities Inc. No amounts have been accrued in these financial statements.