THC BIOMED INTL. LTD.

FORM 2A – LISTING STATEMENT
(the "Listing Statement")

DATE: April 28, 2015

Table of Contents

Appendix "A"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Unaudited Financial Statements for the Three Months Ended December 31, 2014
Appendix "B"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2014
Appendix "C"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2013
Appendix "D"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2012
Appendix "E"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audit Committee Charter
Appendix "F"	THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Audited Financial Statements for the year ended July 31, 2014
Appendix "G"	THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Unaudited Financial Statements for the Three Months Ended October 31, 2014
Appendix "H"	THC Meds Inc. Audited Financial Statements for the Year Ended July 31, 2014
Appendix "I"	THC Meds Inc. Unaudited Financial Statements for the Three Months Ended October 31, 2014

1. Glossary of Terms

"**Acquisition**" means the acquisition of a 100% interest in the THC Companies, pursuant to the Agreement;

"**Agreement**" means the Definitive Agreement, made effective November 5, 2014, as amended, between the Issuer and the THC Companies, pursuant to which the Issuer acquired a 100% interest in the THC Companies;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**BCCA**" means the *Company Act* (British Columbia);

"**Board**" means the Issuer's board of directors;

"**CEO**" means an individual who acted as chief executive officer of the Issuer, or acted in a similar capacity, for any part of the most recently completed financial year;

"**CFO**" means an individual who acted as chief financial officer of the Issuer, or acted in a similar capacity, for any part of the most recently completed financial year;

"**Consideration Shares**" has the meaning ascribed to it in "Section 22, Material Contracts";

"**CSE**" means the Canadian Securities Exchange;

"**Diamonds Option**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**Diamonds Plan of Arrangement**" has the meaning ascribed to it in "Section 3, General

Development of Business";

"**Diamonds Shares**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**Exchange**" means the TSX Venture Exchange;

"**Issuer**", "**THC BioMed Intl.**", "**we**", "**us**" and "**our**" means THC BioMed Intl. Ltd.;

"**Listing Date**" means the date on which the Issuer's securities are listed on a Canadian exchange;

"**Listing Statement**" means this CSE Form 2A Listing Statement;

"**MMAR**" means the Canadian Medical Marihuana Access Regulations;

"**MMPR**" means the Canadian *Marihuana for Medical Purposes Regulations*;

"**MMPR Licensed Producer**" has the meaning ascribed to it in "Section 2, Corporate Structure";

"**MMPR Production License**" means a license to commercially produce and/or distribute medical marihuana under MMPR;

"**Maturity Date**" has the meaning ascribed to it in "Section 22, Material Contracts";

"**NWT Diamonds Claims**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**NWT Head Agreement**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**NWT Joint Venture**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**Option Plan**" means the Issuer's stock option plan dated for reference February 10, 2015;

"**Peregrine**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**Peregrine Letter Agreement**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**Person**" means a company or an individual;

"**Related Person**" means an Insider, which has the meaning set forth in the *Securities Act* (British Columbia):

(a) a director of senior officer of the Issuer;

(b) a director or senior officer of the Issuer that is an insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or,

(d) the Issuer itself if it holds any of its own securities;

"**Restriction Agreement**" has the meaning ascribed to it in "Section 11, Escrowed Securities";

"**Supplier**" means a firm offering security, software, equipment, legal, finance, medical marihuana, supplies or logistics products and services to MMPR Licensed Producers;

"**TD Company**" has the meaning ascribed to it in "Section 3, General Development of Business";

"**THC Companies**" means THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) and THC Meds Inc. and "**THC Company**" means either one of them;

"**THC Meds**" means THC Meds Inc.;

"**THC BioMed Ltd.**" means THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.); and

"**Thelon Diamonds**" has the meaning ascribed to it in "Section 3, General Development of Business".

"**TSXV**" means the TSX Venture Exchange.

Forward-Looking Statements

The information provided in this Listing Statement, including information incorporated by reference, may contain "forward-looking statements" about the Issuer. In addition, the Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Issuer that address activities, events or developments that the Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Issuer's then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- market competition and agricultural advances of competitive products;

- the timing and availability of the Issuer's products, its ability to expand production space, and acceptance of its products by the market;

- the progress and the successful and timely completion of the various stages of the licensing process;

- the progress and success of the Issuer's research and development program;

- the ability to successfully market, sell, and distribute the products, and to expand the Issuer's customer base; and,

- other risks described in this Listing Statement and described from time to time in the Issuer's documents filed with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and the Issuer's other documents are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences or effects. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or persons acting on the Issuer's behalf may issue. The Issuer undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See "Part 17 – Risk Factors".

<u>Market and Industry Data</u>

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness as of this date. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Issuer has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

2. Corporate Structure

The Issuer's head office is located at 1500-888 Dunsmuir Street in Vancouver, British Columbia, V6C 3K4 and its registered and records office address is located at Suite 1780 – 400 Burrard Street, Vancouver, British Columbia V6C 3A6.

THC BioMed Intl. Ltd. was incorporated under the name "Ansco Resources (B.C. Ltd.)" under the provisions of the BCCA on February 2, 1982. The Issuer was continued under the BCBCA on July 23, 2004.

The Issuer is in the business of becoming and operating as a licensed producer under Canada's *Marihuana for Medical Purposes Regulations* ("**MMPR**") through THC Meds and THC BioMed Ltd., which are the Issuer's wholly-owned subsidiaries. The Issuer intends to offer and sell its dried marihuana product, once it obtains an MMPR License, to other producers licensed under MMPR (each an "**MMPR Licensed Producer**") and to patients directly or through physicians, as permitted by the MMPR. The Issuer is also in the business of developing and offering technologies, products and services to support MMPR Licensed Producers. The Issuer currently offers consulting services for companies making application to Health Canada for an MMPR License and MMPR Licensed Producers. Please see “Principal Products or Services” below for more information. The Issuer will be active in carrying out both aspects of its business, the development and sale of products and services, and becoming and operating as an MMPR Licensed Producer as a consolidated company with its wholly-owned subsidiaries.

The Acquisition

On January 14 and 22, 2015, the Issuer completed its acquisition of a 100% interest in two companies: THC Meds and THC BioMed Ltd. are now the Issuer’s wholly-owned operating subsidiaries.

On January 14, 2015, the Issuer acquired 78% of THC Meds and THC BioMed in exchange for 44,612,736 common shares of the Issuer pursuant to the Share Exchange Agreement. Two of the shareholders of THC Meds and THC BioMed Ltd. were unable to produce their share certificates at closing and were given additional time to locate their shares certificates or provide adequate legal documentation to replace them. On January 22, 2015, the Issuer completed the acquisition of the remaining 22% of THC Meds and THC BioMed in exchange for 12,363,510 common shares of the Issuer pursuant to the Share Exchange Agreement. The Issuer therefore purchased 100% of the issued and outstanding shares of THC Meds and THC BioMed in exchange for 56,976,246 of the Issuer’s common shares. There are an additional 26,823,751 earn out shares that may be issued to the former shareholders of the THC Companies on the accomplishment of certain milestones: 16,600,000 to be released in the event that an MMPR license is granted by Health Canada to one of the two subsidiaries and 10,233,751 to be released pending the removal of certain potential liabilities of the THC Companies.

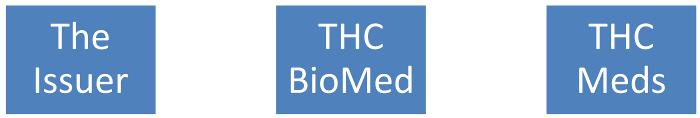
Both subsidiaries have applied to Health Canada to become MMPR Licensed Producers. THC BioMed had an exemption from Health Canada under Section 56 of Canada’s *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014. Both THC Companies have made applications to become MMPR Licensed Producers. There can be no assurance that the Issuer will obtain an MMPR License.

The Issuer will carry out both aspects of its business, becoming and operating as an MMPR Licensed Producer and the development and sale of products and services, as a consolidated company with its wholly-owned subsidiaries.

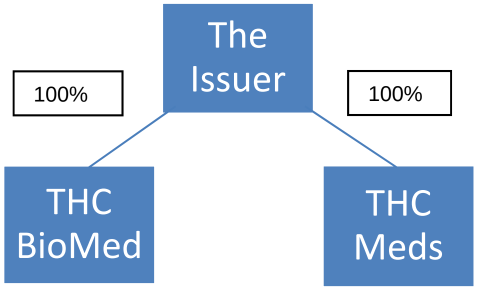
There can be no assurance that the Issuer will obtain an MMPR license and in that event, the Issuer will focus on the other aspect of its business, the development and sale of products and services – see Section 4, “Narrative Description of the Business – Description of the Business”.

The following diagram summarizes the structure of the entities prior to and after completion of the Acquisition:

PRE-ACQUISITION



POST-ACQUISITION



The Issuer completed a share consolidation on December 23, 2014 whereby every 6 existing common shares of the Issuer were consolidated into 1 new common share of the Issuer.

Effective December 31, 2014, the Issuer completed a Plan of Arrangement with Thelon Diamonds Ltd. in which the Issuer vended out its interests in the joint venture in diamond mining with Peregrine Diamonds Ltd. and the related mineral leases in exchange for 2,260,000 common shares of Thelon Diamonds Ltd. The vending out of these interests by the Issuer was a condition precedent to the closing of the Share Exchange Agreement. The Issuer immediately distributed the Thelon Diamonds shares to its shareholders as of the record date of October 21, 2014.

On January 22, 2015, the Issuer completed the acquisition of a majority interest in each of THC Meds and THC BioMed. The Issuer purchased 100% of the issued and outstanding shares of THC Meds and THC BioMed in exchange for 56,976,246 of the Issuer's common shares.

A further 10,223,751 common shares have been reserved by the Issuer pending the removal of certain potential liabilities of the THC Companies.
There are an additional 16,600,000 common shares to be issued to the former shareholders of the THC Companies who participated in the share exchange in the event that an MMPR license is granted by Health Canada to one of the two subsidiaries.

As a condition to the completion of the Acquisition, the subsidiaries raised a combined total of $719,997 prior to closing.

THC Meds and THC BioMed are now the Issuer's wholly-owned operating subsidiaries. Both subsidiaries have applied to Health Canada to become MMPR Licensed Producers. THC BioMed had an exemption from Health Canada under Section 56 of Canada's *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014.

There can be no assurance that the Issuer will obtain an MMPR license.

Fundamental Change

The Issuer is not requalifying for a listing following a fundamental change or proposing an acquisition, amalgamation, merger, reorganization or arrangement.

3. General Development of the Business

History

From the date of incorporation (February 2, 1982) to February 2014, the Issuer was an exploration-stage mineral resources company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Issuer no longer holds any mineral resource property interests. Instead, the Issuer has become engaged in the business of becoming and operating as an MMPR Licensed Producer and developing and supplying technologies, products and services to support MMPR Licensed Producers.

The Issuer became listed on the Vancouver Stock Exchange in November 1983 by way of a listing application following a prospectus that was dated September 30, 1983 and that went effective on October 13, 1983.

On February 16, 1989, the Issuer changed its name from "Ansco Resources (B.C.) Ltd." to "Sunstate Resources Ltd."

On October 5, 1999 the Issuer changed its name from "Sunstate Resources Ltd." to "International Sunstate Ventures Ltd."

On April 12, 2002, the Issuer changed its name from "International Sunstate Ventures Ltd." to "Thelon Ventures Ltd."

On February 4, 2010, the Issuer changed its name from "Thelon Ventures Ltd." to "Thelon Capital Ltd." and began trading on the TSXV.

March 14, 2014, the Issuer issued a press release in response to a sudden and unexplained increase in trading in its listed, common shares, disclosing that the Issuer was unaware of any material change in the Issuer's operations that would account for the increase in market activity. In April 2014, due to prevailing market conditions and the experience and interests of the Issuer's management, the Issuer decided to pursue its current business. Subsequently, the Issuer decided to delist from the TSXV and list on the CSE.

On December 17, 2014, the Issuer received conditional acceptance for listing on the CSE.

On December 22, 2014, the Issuer voluntarily delisted from the TSXV.

Pursuant to an option agreement dated July 12, 2002 (the "**NWT Head Agreement**") between Mackenzie Jaims, as optionor, and the Issuer, the Issuer obtained an option (the "**Diamonds Option**") to acquire a 100% undivided right, title and interest in certain mineral claims comprised of three leases situated in the Northwest Territories known as "OKI 1-3" (the "**NWT Diamonds Claims**"), subject to a royalty payable of 4% gross overriding royalty (GOR) and 4% Net Smelter Royalty (NSR) on all metals payable to Mackenzie Jaims. The Issuer exercised the Diamonds Option and acquired a 100% interest in the NWT Diamonds Claims. By a letter agreement dated February 18, 2004 as amended March 30, 2004 and September 8, 2004 (collectively, the "**Peregrine Letter Agreement**") between the Issuer and Dunsmuir Ventures Ltd., whose rights and obligations under the Peregrine Letter Agreement were assumed by Peregrine Diamonds Ltd. ("**Peregrine**"), the Issuer granted to Peregrine an exclusive option to acquire a portion of the Issuer's interest in the NWT Diamonds Claims and the NTW Head Agreement and entered into a joint venture (the "**NWT Joint Venture**") with Peregrine for the purposes of further exploration and development of the NWT Diamonds Claims. Peregrine exercised its option and acquired a 70.54% interest in the NTW Head Agreement and the NWT Diamonds Claims. On January 14, 2015, the Issuer assigned its 29.46% interest in and to the NWT Head Agreement, the NWT Diamonds Claims and the NWT Joint Venture to Thelon Diamonds pursuant to the Diamonds Plan of Arrangement as described further below.

On January 22, 2015, the Issuer completed the Acquisition of a majority interest in THC Meds and THC BioMed and now has two applications to become an MMPR Licensed Producer being reviewed by Health Canada.

On January 22, 2015, Health Canada conducted its pre-licensing inspection of the Issuer's existing facility in Kelowna, British Columbia. On February 11, 2015, Health Canada sent a list of comments for further modifications that were required at the existing facility in order to meet MMPR requirements. On February 27, 2015, Health Canada acknowledged receipt of the Issuer's information confirming completion of the further modifications and readiness for the granting of an MMPR license to THC BioMed.

On March 23, 2015, the Issuer changed its name from "Thelon Capital Ltd." to "THC BioMed Intl. Ltd."

Development of the Business over the most Recently Completed Fiscal year ended September 30, 2014 and the Three Months ended December 31, 2014

The Issuer has operated since inception (February 2, 1982) as a mineral resources exploration company. Due to market factors and the status of its exploration projects, following the end of the financial year ended September 30, 2013, the Issuer determined that it was in its best interests to evaluate new business opportunities. Since making that decision, the Issuer re-organized its management and took on some new members. The Issuer then evaluated new business opportunities. The Issuer has ceased to be involved with the business of mineral resources exploration. The Issuer is now in the business of becoming and operating as an MMPR Licensed Producer and developing and offering technologies, products and services to MMPR Licensed Producers.

On September 25, 2013, the Issuer completed a private placement of 50,500,000 units of its securities at a price of $0.005 per unit. Each unit contained one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share in the Issuer for a period of three years from the date of issuance, at a price of $0.05 per common share until February 25, 2015 and $0.10 per common share thereafter.

On February 28, 2014, the Issuer appointed Mr. Scott Walters as its President and CEO. Mr. Jason Walsh resigned from those positions but continued on as part of the management of the Issuer as a director and Chairman.

On March 27, 2014, the Issuer granted 9,500,000 incentive stock options to its Officers, directors and employees at $0.10 for a period of two years.

On April 3, 2014, the Issuer announced the completion of a financing of $1,000,000 through the exercise of shareholder warrants.

On April 10, 2014, the Issuer announced that it had entered into an arrangement with Net Gram Royalty Co. ("**Net Gram**"), a private consultant, to further explore and to help negotiate royalty agreements with various MMPR Licensed Producers in exchange for the provisions of legal supplies of dried medical marihuana and support services.

On April 16, 2014, the Issuer announced that it had signed a binding Memorandum of Understanding (the "**Zeolite MOU**") with Canadian Mining Company Inc. ("**Canadian Mining**"), a public company listed on the TSXV, to test its zeolite-based fertilizer in the growing of medical marihuana. The Zeolite MOU includes a statement of intent by the parties that the Issuer will receive an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton. B.C. Canadian Mining is involved in a project designed to develop zeolites as a nutrient input for hydroponic, aquaponic and soil crops, including marihuana.

On May 13, 2014, the Issuer announced that it had entered into a Memorandum of Understanding to purchase 100% of 8824479 Canada Inc., a private company incorporated under the laws of Canada. 8824479 Canada Inc. had the exclusive option to purchase a 30% interest in the Cannabinoid Medical Clinic, a series of clinics located in Ontario to provide medical marihuana prescriptions under the Canadian MMPR. The Issuer advanced $200,000 to 8824479 Canada Inc. to secure a 45-day due diligence period. On July 23, 2014, the due diligence period was extended to September 30, 2014. Pursuant to the due diligence information reviewed by the Issuer, the Memorandum of Understanding was cancelled and the $200,000 deposit was returned to the Issuer on October 23, 2014.

On May 22, 2014, pursuant to a request from the Issuer, pending developments in the company's operations, the Investment Industry Regulatory Organization of Canada, known as "IIROC", placed a trading halt on the Issuer's common shares listed on the TSXV.

On December 23, 2014, the Issuer completed a share consolidation whereby every 6 existing common shares of the Issuer were consolidated into 1 new common share of the Issuer, resulting in approximately 18,698,374 common shares of the Issuer issued and outstanding.

On January 14, 2015, the Issuer acquired 78% of THC Meds and THC BioMed in exchange for 44,612,736 common shares of the Issuer pursuant to the Share Exchange Agreement. Two of the shareholders of THC Meds and THC BioMed were unable to produce their share certificates at closing and were given additional time to locate their shares certificates or provide adequate legal documentation to replace them. On January 22, 2015, the Issuer completed the acquisition of the remaining 22% of THC Meds and THC BioMed in exchange for 12,363,510 common shares of the Issuer pursuant to the Share Exchange Agreement. The Issuer therefore purchased 100% of the issued and outstanding shares of THC Meds and THC BioMed in exchange for 56,976,246 of the Issuer's common shares. There are an additional 26,823,751 earn out shares that may be issued to the former shareholders of the THC Companies on the accomplishment of certain milestones: 16,600,000 to be released in the event that an MMPR license is granted by Health Canada to one of the two subsidiaries and 10,223,751 to be released pending the removal of certain potential liabilities of the THC Companies. Both THC Companies have made applications to become MMPR Licensed Producers. There can be no assurance that the Issuer will obtain an MMPR License.

THC BioMed had an exemption from Health Canada under Section 56 of Canada's *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014.The Issuer continues to evaluate new projects, including, but not limited to, opportunities in agriculture, finance, and resources.

On January 14, 2014, the Issuer appointed John Miller, Hee Jung Chun and George Smitherman to its Board of directors and John Miller as President and Chief Executive Officer. Also on January 14, 2014, John A. Roozendaal, Mark T. Tommasi and Scott Walters resigned from all positions with the Issuer.

On March 19, 2015, the Issuer extended the date for a warrant price increase from February 25, 2015 to September 25, 2015. Each outstanding warrant of the Issuer now entitles the holder to acquire one common share in the Issuer for a period of three years from the date of issuance, at a price of $0.30 per common share until September 25, 2015 and $0.60 per common share until the expiry of the warrant on September 25, 2016.

Significant Acquisitions and Dispositions

As described above under the title "The Acquisition", on January 22, 2015, the Issuer completed its acquisition of a 100% interest in two companies, THC Meds and THC BioMed. Please see the description above for more information.

On September 21, 2012, THC BioMed acquired a property in Kelowna, British Columbia to house its warehouse and laboratory facilities for $291,526, of which $162,140 was attributed to the land and $129,386 to the building. The Issuer has upgraded this facility and intends for it to become its MMPR production facility. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized to date along with the mortgage interest.

On October 2, 2014, the Issuer acquired an adjacent property for a second facility for $339,618, of which $198,167 was attributed to the land and $141,451 to the building.

Medical Marihuana Background

The Issuer is in the process of becoming a licensed producer of medical marihuana in Canada (a "**Licensed Producer**"). The Issuer has applied to Health Canada for two medical marihuana production and distribution licenses (each an "**MMPR License**") under the recently enacted

Marihuana for Medical Purposes Regulations ("**MMPR**"), which came into effect on April 1, 2014.

THC BioMed had an exemption from Health Canada under Section 56 of Canada's *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014. The Issuer has modified its existing medical marihuana growing facility to the standards required by Health Canada in anticipation of the MMPR License being issued to THC BioMed. On January 22, 2015, Health Canada conducted its pre-licensing inspection of the Issuer's existing facility in Kelowna. On February 11, 2015, Health Canada sent a list of comments for further modifications that were required at the facility to meet the requirements. On February 25, 2015, Health Canada confirmed receipt of the confirmation that THC BioMed had completed the further modifications and its readiness for the granting of the MMPR license to THC BioMed.

The consultants and management of THC BioMed and THC Meds have been retained as consultants of the Issuer. These individuals operated a medical marihuana growing facility in Kelowna, British Columbia from August 2013 to August 2014.

The Issuer, through its subsidiary THC Meds, has acquired a second property in Kelowna, British Columbia to use for its second production facility for the MMPR License sought by its wholly-owned subsidiary, THC Meds. The construction of the second growing facility is expected to begin in the second quarter of the 2015 calendar year.

There can be no assurance that the Issuer will obtain an MMPR License and in that event, the Issuer will focus on the other aspect of its business, the development and sale of products and services – see Section 4, "Narrative Description of the Business – Description of the Business".

Diamonds

On January 14, 2015, the Issuer completed a statutory plan of arrangement (the "**Diamonds Plan of Arrangement**") with Thelon Diamond Company Limited ("**TD Company**"), a company incorporated under the BCBCA, and Thelon Diamonds Ltd. ("**Thelon Diamonds**"), a company incorporated under the BCBCA, for the purpose of divesting of its interest in the NWT Head Agreements, the NWT Diamonds Claims and the and the NWT Joint Venture. Immediately prior to the completion of the Diamonds Plan of Arrangement, the Issuer was the sole shareholder of Thelon Diamonds. Pursuant to the Diamonds Plan of Arrangement, TD Company acquired all issued and outstanding shares in Thelon Diamonds from the Issuer in consideration for $1,000. TD Company and Thelon Diamonds then exchanged shares on a one-for-one basis and Thelon Diamonds issued 2,260,000 common shares (the "**Diamonds Shares**") in its authorized capital to the Issuer in exchange for an assignment of all of the Issuer's right to and interest in the NWT Head Agreement, the NWT Diamonds Claims and the NWT Joint Venture. The Issuer then reduced its paid-up capital by $60,000, being the amount equal to the value of the Diamonds Shares and the Diamonds Shares were distributed to the Issuer's shareholders holding shares as of October 21, 2014 (the record date) as payment towards the return and reduction of paid-up capital.

Material Trends, Commitments, Events and Uncertainties

On April 1, 2014, the Canadian MMPR came into effect, providing a highly regulated regime for companies to become and operate as MMPR Licensed Producers with safety, security, quality and testing requirements for the production of medical marihuana for Canadian patients with the appropriate medical prescriptions.

Health Canada reports having received more than 700 MMPR Licensed Producer applications, having rejected close to 220 of those applications and being in the process of reviewing approximately 475 applications (Source: The Star, April 18, 2014.) Health Canada further reports that it has not placed a cap on the number of licenses that it will grant under MMPR (Source: Health Canada at http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/faq-eng.php).

The previous Canadian medical marihuana regime, the *Medical Marihuana Access Regulations* ("**MMAR**") was supposed to be rescinded and replaced by MMPR on March 31, 2014. However, on March 21, 2014 the Federal Court issued an injunction, allowing people with licenses under MMAR to continue to grow and consume marihuana in accordance with MMAR until a constitutional hearing of the new system can be held. The date for the constitutional hearing has not been set but the injunction from the Federal Court stated that it would be expected to occur within nine to twelve months.

The Issuer believes that some MMPR Licensed Producers are encountering difficulties in meeting demand and providing the quality, strains and quantity of medical marihuana required by patients. The Issuer intends to find, develop and offer solutions to MMPR Licensed Producers to assist them with the challenges of operating as an MMPR Licensed Producer.

The Issuer also intends to become and operate as an MMPR Licensed Producer and has acquired a 100% majority interest in two companies that have applied to Health Canada to become MMPR Licensed Producers. THC BioMed had an exemption from Health Canada under Section 56 of Canada's *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014. The experience gained by THC BioMed during the effectiveness of the exemption will be invaluable to the Issuer in becoming and operating as a licensed producer and developing and offering products and services for MMPR Licensed Producers.

Development of the Business over the Previous Two Most Recently Completed Fiscal years ended September 30, 2014 and 2013

During the fiscal years ended September 30, 2014 and 2013, the Issuer was engaged in the business of mineral resources acquisition and exploration.

On December 22, 2014, the Issuer obtained a mutual release from the parties to a Letter of Agreement and a Share Purchase Agreement for full and final release of any and all claims between them. Details of the Letter of Agreement and a Share Purchase Agreement are as follows:

The Issuer entered into a Letter of Agreement, dated May 27, 2010, to acquire 100% of the Jellico Coal Property which consisted of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee. The Issuer entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company, which owned 100% of the Jellico Coal property. The purchase price was 7,000,000 common shares (issued); US$1,000,000 (paid) on signing; US$3,000,000 (US$2,736,374 paid) due December 15, 2011; take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and the issuance a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing. A bonus of $50,000 was paid to a company controlled by a director on this transaction. This transaction was subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval. Closing was to occur upon the final payment of US$303,626. At September 30, 2013, the Issuer had been unable to make the required payments to close the transaction and recorded an impairment of $5,819,820 against the accumulated costs to reflect the uncertainty around completion of the acquisition.

On October 31, 2014, the Issuer entered into a letter of intent with Canadian Mining Company Inc. (CNG-TSX.V) to test zeolite in the growing of medical marijuana. The letter of intent replaces a memorandum of understanding previously entered into by the parties on April 16, 2014. The Issuer has an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia. The letter of intent will terminate upon the earlier of the execution and delivery of a JV Agreement by each party to the other or on June 30, 2015.

4. Narrative Description of the Business

Description of the Business

The Issuer is in the process of becoming a MMPR Licensed Producer. The Issuer's two wholly-owned subsidiaries have each made application to Health Canada for a medical marihuana production and distribution license (each an "**MMPR Production License**") under the recently enacted MMPR, which came into effect on April 1, 2014. The Issuer intends to supply medical marihuana to other MMPR Licensed Producers and patients directly or through physicians, as permitted by the MMPR.

On January 22, 2015, Health Canada conducted its pre-licensing inspection of the Issuer's existing facility in Kelowna. On February 11, 2015, Health Canada sent a list of comments for further modifications that were required at the existing facility in order to meet MMPR requirements. On February 27, 2015, Health Canada acknowledged receipt of the Issuer's information confirming completion of the further modifications and readiness for the granting of an MMPR license to THC BioMed Ltd.

The Issuer is also in the business of developing and offering technologies, products and services to support MMPR Licensed Producers. MMPR has created a new, for-profit medical marihuana industry in Canada. This new industry requires support from firms offering security, software, equipment, legal, finance, supplies and logistics products and services ("**Suppliers**"). The Issuer currently offers consulting services for MMPR License applicants and MMPR Licensed Producers. Please see the section entitled "Principal Products or Services" for more information. The Issuer has two agreements with other companies for the development and sale of products and services to MMPR Licensed Producers. The first agreement is with a TSXV-listed company for the testing of a zeolite-based fertilizer for use in the growing of medical marihuana. The second agreement is for the development of royalty arrangements with various MMPR Licensed Producers in exchange for the provisions of legal supplies of dried medical marihuana and support services.

Becoming and Operating as an MMPR Licensed Producer

The Issuer has two wholly-owned subsidiaries, each of which has applied to Health Canada to become MMPR Licensed Producers. THC BioMed had an exemption from Health Canada under Section 56 of Canada's *Controlled Drugs and Substances Act.* The exemption permitted THC BioMed to produce, possess and conduct research and development on marihuana at its facility in Kelowna, British Columbia. The exemption did not authorize THC BioMed to re-sell the cannabis grown at its licensed facility. The exemption was in effect from August 2013 to August 2014. The Issuer has modified its existing medical marihuana growing facility to the standards required by Health Canada in advance of the MMPR License being issued to THC BioMed Once it obtains an MMPR License, the Issuer intends to develop and test the zeolite-based fertilizer, the target market of which is growers of all hydroponic, aquaponic and soil crops, including marihuana.

The Issuer intends to obtain two licenses under MMPR and operate as a MMPR Licensed Producer. However, there is no guarantee that the Issuer will obtain an MMPR License and in that event, the Issuer will focus on the other aspect of its business, the development and sale of products and services, including research and testing.

The Issuer has reviewed its two MMPR License applications and believes that they answer and address all of the criteria imposed on applicants. The Issuer believes that the two licenses will be approved but recognizes that approval is not guaranteed pursuant to Health Canada's process. In the event that one or more of the license applications are approved, the Issuer will apply for approval to begin step two of the process to obtain a MMPR License. Given THC BioMed's experience in the industry and that it has completed renovations to the existing growing facility, the Issuer hopes to receive approval for a MMPR License very soon. In that event, it plans to be cultivating and harvesting dried marihuana during the fourth quarter of the 2015 calendar year.

The Issuer intends to complete a financing of approximately $1,000,000 to pay its costs of supplies, labour, marketing and general and administrative until at least one growing facility is in production. The Issuer intends to complete this financing following the completion of the Issuer's listing on the CSE.

Business Objectives

In the short-term, the Issuer intends to become an MMPR Licensed Producer and to continue to develop and offer its technologies, products and services that it will use itself and offer to other MMPR Licensed Producers. The Issuer currently offers consulting services for MMPR License applicants and MMPR Licensed Producers. Please see the section entitled "Principal Products or Services" for more information. The Issuer intends to become an MMPR Licensed Producer by April 2015, depending on Health Canada's timeline, and be in production soon after that. The Issuer has completed the transition of its facility in Kelowna, British Columbia in accordance with Health Canada's requirements under MMPR. The Issuer expects that the facility will be an ideal location for the development and testing of the zeolite-based fertilizer, aimed at growers of all hydroponic, aquaponic and soil crops including marihuana, pursuant to its arrangement with Canadian Mining.

The Issuer intends to obtain clients for its medical marihuana product through its marketing plan. See "Business Objectives - Marketing Plan". The Issuer aims to become a leader in the industry by producing a product of high quality and reliable quantity. The Issuer intends to raise additional funds (approximately $1,000,000) to initiate its marketing plan, and begin growing commercial medical marihuana by April 2015. If the Issuer is able to adhere to this schedule, which will largely depend on Health Canada, then it expects to be selling its medical marihuana product and earning revenues by the third quarter of the 2015 calendar year.

1. **Target Market.** The Issuer intends to sell its products and services, including medical marihuana, to other MMPR Licensed Producers, patients and physicians. The Issuer also offers its services to MMPR License applicants.

2. **Marketing and Branding**. The Issuer will develop recognition of its brand and quality through a high quality web presence and participation in industry events. The Issuer has secured the website www.thcbiomed.com and the website is currently under development. The Issuer intends to comply with all advertising prohibitions and marketing restrictions of the Food and Drug Act, the Narcotic Control Regulations and the MMPR.

3. **Personnel**. The Issuer intends to engage new professionals as required, be it on the board of directors, sales and marketing to fulfill the Issuer's business objectives in due course and to prepare the Issuer for changes and developing opportunities in the industry.

4. **Monitoring and development of Growing Plan**. The Issuer intends to continuously monitor and attempt to maximize the quantity and quality of its medical marihuana product. The Issuer further intends to continue to develop technologies, products and services that will assist the Issuer and other MMPR Licensed Producers to grow the best product possible, in sufficient quantity and for reasonable costs.

During the medium-term (2015-2017), the Issuer intends to pursue its second MMPR License, build its second growing facility and begin to produce and sell medical marihuana from that second growing facility. The Issuer also intends to continue to develop and, where applicable, sell products such as the zeolite fertilizer, to other medical marihuana producers, including those in the United States. The Issuer will consider expanding its initial growing facility during this period and assess the potential benefits of increasing capacity and production.

Licenses and Permits

Under MMPR, a company that wishes to commercially produce and/or distribute medical marihuana must obtain a License to operate as an MMPR Licensed Producer. In order to obtain such a license, the applicant must:

(a) show that they are an adult who ordinarily resides in Canada, or a corporation that has its head office in Canada or operates a branch office in Canada and whose officers and directors are all adults;
(b) designate one senior person in charge of overall management of the activities carried out by the MMPR Licensed Producer;
(c) designate one responsible person in charge to work at the MMPR Licensed Producer's site and have responsibility for supervising regulatory compliance of the MMPR Licensed Producer's activities;
(d) submit details around the identity of the person or company applying for the license as well as the location and contact information for each proposed production site and each building within the site if applicable;
(e) submit the proposed activities to be conducted at each site, the purpose of the proposed activities, and the substance(s) in respect of which the activities are to be conducted;
(f) submit a detailed description of the security measures at the proposed site;
(g) submit a detailed description of the proposed record-keeping method;

(h) submit the maximum quantity of dried marihuana to be produced under the license and the production period;
(i) submit the maximum quantity of dried marihuana to be sold or provided by the applicant under the license;
(j) submit a report written by a quality assurance person establishing that the buildings, equipment and sanitation program to be used in the license activities complies with the MMPR's Good Production Practices requirements; and
(k) gain security clearance for the senior person in charge, the responsible person in charge, the individual licensee if the MMPR License is issued to an individual, and each officer and director of the corporation licensee if the MMPR License is issued to a corporation.

Prior to submitting an MMPR License application, the applicant must provide written notice to the local government, the local fire authority, and the local police force or the Royal Canadian Mounted Police in the area in which the production site is located.

An MMPR License is valid for the period indicated on that particular license, which is determined by the issuing Minister at the time of issuance but will not be for more than three years. Prior to the expiry date of a license, an MMPR Licensed Producer that wishes to renew its license must submit an application for renewal to Health Canada. The application for renewal must include the original license and a declaration that all of the information shown on the original license is correct and complete. Following the application for renewal, the Minister must issue a renewed license unless he has grounds for refusal pursuant to section 26 of MMPR.

An MMPR Licensed Producer may engage in the following activities:

(a) possessing, producing, selling, providing, shipping, delivering, transporting and destroying marihuana;
(b) possessing and producing cannabis, other than marihuana, solely for the purpose of conducting in vitro testing that is necessary to determine the percentages of cannabinoids in dried marihuana;
(c) selling, providing, shipping, delivering, transporting and destroying cannabis, other than marihuana, that was obtained or produced solely for the purpose of conducting the aforementioned in vitro testing;
(d) shipping dried marihuana to a health care practitioner in the case referred to in subparagraph 108(1)(f)(iii) of the MMPR;
(e) importing marihuana in accordance with an import permit issued under s. 75 of the MMPR; and,
(f) possessing and exporting marihuana in accordance with an export permit issued under s. 83 of the MMPR.

An MMPR Licensed Producer may sell or provide marihuana and cannabis that was obtained or produced solely for the purpose of conducting the aforementioned in vitro testing to:

(a) another MMPR Licensed Producer;
(b) a licensed dealer;
(c) the Minister; or
(d) a person to whom an exemption relating to the substance has been granted under s. 56 of Canada's *Controlled Drugs and Substances Act* "CDSA".

An MMPR Licensed Producer may sell or provide dried marihuana to:

(a) a client of that Producer or an individual who is responsible for the client;
(b) a hospital employee, if the purpose of their possession of the dried marihuana is in connection with their employment; or
(c) a person to whom an exemption relating to the dried marihuana has been granted under s. 56 of the CDSA.

The MMPR allows doctors or nurse practitioners to write a one-page prescription for up to a year's supply of dried medical marihuana with a maximum shipment size of 150 grams per month. All approved MMPR Licensed Producers are listed on a Health Canada website for doctor referral. Patients send the original prescription to their preferred supplier, who then ships product directly to them or their doctor for pick-up; however, no retail sales are permitted.

Division 3 of the MMPR, 'Security Measures', sets out physical security requirements that are necessary to secure sites where MMPR Licensed Producers conduct activities with marihuana other than storage, and Health Canada's Directive on Physical Security Requirements for Controlled Substances provides technical detail as to how to meet these security requirements. The government of Canada outlines the following measures to meet MMPR requirements:

- signage and physical barriers (eg. a fence) indicating unauthorized access is prohibited;
- minimized entrances to reduce security threats, and reinforced doors where cannabis is present;
- glazing panel security and sensory monitoring systems of the same;
- video surveillance systems of site perimeter and cannabis storage areas;
- backup systems for all security measures;
- key-coded, electronic access control systems to perimeter and any areas cannabis is located;
- intrusion detection system with personal or remotely accessible monitoring;
- records of security monitoring;
- contingency plans for security breaches;
- power supply to maintain continuous operation of all security programs; and,
- air filtration systems that control release of pollen, odours and all other particles from facility.

The Issuer believes it will meet and exceed the aforementioned regulatory requirements.

Operations

Renewing Business Strategies under the MMPR

From August 2013 to August 2014, the management and personnel of one of the Issuer's two wholly-owned operating subsidiaries grew medical marihuana and conducted research and development. The management and personnel from the two subsidiaries have been retained by the Issuer. The Issuer believes that it will have a competitive advantage in operations compared to many MMPR Licensed Producers that have not had the benefit of recent medical marihuana production within Health Canada's requirements and the results of their own research and development related to growing methods and quality assurance.

<u>Projected Expenses</u>

The Issuer expects that in the course of, and subsequent to, obtaining a MMPR License it will require financing of approximately $1,000,000. These funds will be used for maintenance and improvements to the existing growing facility, construction of its second growing facility, payments of the mortgage for its current properties, developing and testing the zeolite-based fertilizer, salaries, marketing costs, general and administrative expenses, and as a contingency fund for unexpected expenses.

<u>State of the Market</u>

Legislative Changes

Health Canada is the Federal department responsible for helping Canadians maintain and improve their health, while respecting individual choices and circumstances. Health Canada has noted that it is committed to providing reasonable access to marihuana for medicinal purposes, while protecting public safety.

In 2001, the first government regulations were introduced under MMAR. In the first year the number of people authorized to possess marihuana for medical purposes stood at less than 100. In time that number has grown to approximately 40,000. The federal government has found that the MMAR is not equipped to handle rapid growth of the industry.

The MMAR allowed registered persons to grow marihuana in private homes, which has resulted in increased risks to health, safety and security. For example, the high value of marihuana on the illicit market increases the risks of home invasion and diversion. These production operations also present fire and toxic mold hazards. The risks are not only felt by the home producers, but also by their neighbors and the community. As a result, Health Canada's new MMPR model attempts to change the regulation of marihuana to treat it like other narcotic drugs used for medical purposes by only allowing prescribed dosages from medical professionals.

The change in regulation structure has resulted in litigation against the government from people registered under the MMAR to grow their own marihuana. On March 21, 2014, the decision in *Allard v Canada* 2014 FC 280 was released and the Federal Court granted an interim injunction against the federal government's plans to end the practice of "grow-your-own medical marihuana" under the MMAR. The upshot of the injunction is that current growers of their own medical marihuana under the MMAR are exempted from the MMPR until a final order is made. The trial is expected to be heard sometime in 2015. Even with the pending litigation and uncertainty arising from what the Federal Court will decide, Health Canada is continuing to implement the MMPR and is accepting new licensing applications.

<u>Demand for the Product</u>

The MMPR's delivery systems and safety standards combined with continued research and education by private distributors will provide for continued growth of a new customer base. The potential profit for commercial producers is significant by capitalizing on a growth in customer base. Health Canada estimates that the number of licensed medical marihuana consumers currently listed under the MMAR will increase almost ten-fold to over 300,000 under the MMPR in the next decade. As a result of the increase in customer demand, the expected revenues for the Canadian medical marihuana industry by 2024 is $1.3 billion. As a result, the MMAR users who refuse to switch regimes will inevitably become the minority and are not expected to hinder the market for MMPR Licensed Producers.

Trends, Commitments, Events or Uncertainties

The Issuer does not know of any other trends, commitments, events or uncertainties that are expected to materially affect the Issuer's business, financial condition or results of operations other than as disclosed in "Section 3, General Development of the Business", "Section 4, Narrative Description of the Business" and "Section 17, Risk Factors" herein.

Technologies, Products and Services for MMPR Licensed Producers

The Issuer is in the business of developing and offering technologies, products and services to support MMPR Licensed Producers under Canada's MMPR.

MMPR has created a new, for-profit medical marihuana industry in Canada. This new industry requires Suppliers and the Issuer believes that MMPR Licensed Producers will benefit most from Suppliers that are familiar with the MMPR's legal framework and can ensure regulatory compliance in relation to the services they provide.

The Issuer currently offers consulting services for MMPR License applicants and MMPR Licensed Producers. Please see the section entitled "Principal Products or Services" for more information.

The Issuer intends to develop and market Zeolitic substrates and Zeoponic Fertilizer for the growth of medical Marihuana with Canadian Mining. Once the development is complete, the Issuer intends to conduct tests with MMPR Licensed Producers. The Issuer anticipates the development and certification to be complete within the six months following the date of this Listing Application at an estimated cost of approximately $75,000.

Principal Products or Services

The Issuer is in the process of offering or developing the following products and services:

Current Offering: Consulting Services for Aspiring MMPR Licensed Producers and MMPR Licensed Producers

The Issuer offers its services to guide aspiring MMPR Licensed Producers through the preliminary and enhanced screening application process:

- **Consulting –** finding solutions to Marihuana for Medical Purposes Regulations (MMPR) related questions by:
  - **Application Review** – Prior to initial submission to guarantee accurate completion, with the aim of the efficient advancement of the client's application through the Health Canada process
  - **Standard Operating Procedures** – Basic development of unique Standard Operating Procedures (SOPs) to mandate systems and measures for the whole operation in compliance with the Marihuana for Medical Purposes Regulations (MMPR)
  - **Acting Liaison** – Communicating, in the place of the applicant, on a continuous basis with Health Canada and the Office of Controlled Substances

Licensed Producer candidates in the final stages of the application process

Once a client has obtained security clearance from Health Canada, he or she may enroll in the Issuer's training program; either in-house or at the client's facility. The Issuer's training program covers all aspects of Marihuana for Medical Purposes Regulations (MMPR) regulatory compliance standards, in preparation for a pre-licensing inspection. In addition, the Issuer will visit the client's facility to scrutinize the environments and confirm that everything necessary has been implemented to achieve compliance. Where necessary, the Issuer will provide alternatives or solutions to existing deficiencies.

- **Consulting** – finding solutions to Marihuana for Medical Purposes Regulations (MMPR) related questions by:
    - **Acting Liaison** – If the client wishes it, the Issuer can continue to communicate with Health Canada and the Office of Controlled Substances on behalf of the client during this stage of the process.
    - **Standard Operating Procedures** – Further development of unique Standard Operating Procedures (SOPs) to mandate systems and measures for the whole operation, that comply with the Marihuana for Medical Purposes Regulations (MMPR)
    - **Inspection/Audit Representative** – Presence during a pre-licensing inspection or audit allowing the client to have someone readily available to address questions and concerns, advise on issues and provide solutions
    - **Personnel Training** – Training employees on Standard Operating Procedures (SOPs) and record keeping that have been integrated to govern production processes in entirety

- **Quality Assurance Training** – The Issuer can provide training in Quality Assurance protocols, Good Production Practices (GPP) for production, packaging, labelling and storage, Hazard Analysis and Critical Control Point (HACCP).

- **Horticulture Training** – The Issuer can provide education in botany basics, plant identification, soil science and nursery techniques to streamline the client's growth model from germination to harvest

- **Simulated Inspections** – Preparations for pre-licensing inspections by Health Canada. Providing a solution to reduce potential hazards, identifying critical control points, implementing measures to prevent any potential for contamination

- **Record Keeping / Documenting** – Providing an efficient and meticulous way to track and document all aspects of production, packaging, labelling and storage, while achieving regulatory compliance

- **Physical Security Plans** – Advice on choosing and implementing an appropriate security monitoring system to conform to Marihuana for Medical Purposes Regulations (MMPR) requirements

Authorized Licensed Producers
Assisting clients through the graduated licensing process

- **Quality Assurance Training** – a more robust and in depth training, to ensure Good Production Practices (GPP) and Hazard Analysis and Critical Control Point (HACCP), are meeting the requirements outlined in the Marihuana for Medical Purposes Regulations (MMPR)

- **Horticultural Training** – assisting clients in achieving optimal growth and streamlining your production goals to ensure that the first batch of finished product meet Good Production Practices (GPP) requirements. This may include education in botany basics, plant id, soil science and nursery techniques, if desired

- **Record Keeping / Documenting** – reviewing the client's current methods of record keeping / documenting to confirm that they are compliant with Marihuana for Medical Purposes Regulations (MMPR)

In addition to the above listed services, authorized Licensed Producers can also benefit from the Issuer's assistance with:

- ***Analytical Services*** – a comprehensive spectrum of product testing is available to verify that the client's finished product meets or exceeds the quality control requirements (microbial and chemical) before it is available for sale.

- ***Research & Development***

<u>In Development: Zeolite Fertilizer</u>

Through its arrangement with Canadian Mining, the Issuer intends to participate in the development and testing of a zeolite-based fertilizer aimed at growers of all hydroponic, aquaponic and soil crops, including marihuana. It further intends to market, distribute and sell the resulting fertilizer product. The Zeolite MOU includes a statement of intent by the parties that the Issuer will receive an option to earn up to a 50% interest in Canadian Mining's Sun Group Zeolite Project in Princeton, British Columbia.

Zeolites are minerals that are used in several commercial applications, including as absorbents and fertilizers. The Issuer believes that zeolites' unique structure, which holds a network of pores, allows zeolites to trap and exchange valuable nutrients better than standard fertilizer mediums. The Issuer intends to use its geological background to co-develop healthier nutrient inputs and conditioners for all hydroponic, aquaponic, and soil crops, including marihuana. The Issuer will bear all of the costs of developing and testing the zeolite fertilizer as well as having it certified for use in the medical marihuana business. In exchange, the Issuer is to receive the exclusive marketing and distribution rights for all zeolite products developed through Canadian

Mining for use in the medical marihuana industry. The Issuer will also have the right to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton. British Columbia.

The fertilizer being developed by the Sun Group Zeolite Project is designed to use the characteristics of zeolites as a superior “fertilizer manager”. Zeolite is particularly valuable in holding and slowly releasing valuable nutrients to plants. As a result, it promotes better plant growth by improving the value of fertilizers. Crops grown in soil with zeolite have faster growth rates and higher yields. The more efficient use of minerals already in soil also means lower fertilizer and water requirements which in turn reduces the amounts of fertilizers leaching into ground water.

Canadian Mining has a competitive advantage in the world of zeolites given that its product has been tested and meets the standards of certain markets. Canadian Mining and the Issuer intend to conduct further testing on the product, refine it, if necessary, take steps to protect certain intellectual property and proprietary rights, have the product certified and launch enhanced marketing efforts.

Canadian Mining is a Vancouver based company involved in the exploration, development and production of the industrial mineral, zeolite. Canadian Mining is a producer of natural zeolite from several of its deposits in British Columbia, Canada.

In Development: Royalty Agreements

The Issuer anticipates that MMPR Licensed Producers are experiencing and will continue to experience difficulties in producing enough medical marihuana to meet demand. Although MMPR Licensed Producers are legally allowed to source their inventory from certain producers, there are strict regulations that must be adhered to in order to do this. Furthermore, it is a matter of private negotiations and legal work to arrange and complete the agreements between the parties so that the provision of medical marihuana supplies can begin. Many MMPR Licensed Producers will not have the resources to adequately focus on this aspect of the business. Pursuant to an agreement dated April 10, 2014, the Issuer and Net Gram are developing services that would enable an MMPR Licensed Producer to outsource most aspects of this part of the business, freeing up the management of the MMPR Licensed Producer to focus on the main core of their business.

Revenue Model

The Issuer intends to pursue offering various products and services in the area of medical marihuana production and sale. The revenue model will differ from item to item. For example, in the agreement with Canadian Mining, the Issuer will earn the consideration of up to 50% ownership in the Sun Group Zeolite Project. When it earns its ownership in the Sun Group Zeolite Project, the Issuer intends to earn revenue from its exclusive marketing and distribution rights on all zeolite products developed through Canadian Mining for use in the medical marihuana industry.

The Issuer intends to establish competitive prices and arrangements for the provision of services to MMPR Licensed Producers, including the zeolite fertilizer. Those prices and arrangements have not yet been established.

<u>Pricing for Services and Products</u>

The Issuer plans to offer competitive pricing and unique services to attract and maintain customers. The pricing will vary from product to product and service to service, as appropriate given the particular item, market conditions for the product or service and the cost to the Issuer of providing the product or service.

Total Funds Available, Breakdown of Funds and Principal Purposes for Which Funds Will be Used

The Issuer had the following total funds available as of February 28, 2015:

Item	**$**	**$**
Available Funds		
Estimated Consolidated Working capital (or deficiency) at February 28, 2015		(163,023)
Renegotiation of mortgage		210,560
Promissory Note		90,377
Working Capital		**137,914**
Principal Purposes		
Consulting and Professional Fees	(100,000)	
Mortgage payments for purchase of THC properties for 12 months	(65,000)	
Salaries	(290,000)	
General and administrative expenses		
Office Lease	(3,600)	
Telephone and Mobile Devices	(500)	
Computer Equipment	N/A	
Office Supplies	(250)	
Incidentals and Miscellaneous Expenses	(2,500)	
CSE Listing Fees	(12,500)	
Miscellaneous	(10,000)	
Final Agreement with Canadian Mining	(5,000)	
Complete testing, development and certification of zeolite fertilizer	(75,000)	
Produce, market, sell and distribute zeolite fertilizer	(75,000)	
Initiate marketing plan	(60,000)	
Begin growing commercial medical marihuana	(150,000)	
Commence selling of medical marihuana	(100,000)	
Estimated Total for Principal Purposes		**($949,350)**
Estimated Required Additional Funds		($811,436)

The Issuer plans to raise approximately $1,000,000 shortly after its common shares have been listed for trading on the CSE. There can be no assurance that the Issuer will be able to raise such additional financing at all or on terms that are satisfactory to management.

As described under Item 3, “General Development of the Business”, the pre-licensing inspection of the Issuer’s existing facility in Kelowna, British Columbia was completed by Health Canada on February 11, 2015. On February 27, 2015, Health Canada acknowledged receipt of the

Issuer's information confirming completion of the further modifications and readiness for the granting of an MMPR license to THC BioMed.

Until the Issuer earns revenues or completes a financing, it will continue to operate its business of offering consulting services. The Issuers consulting program for MMPR License applicants and MMPR Licensed Producers has been fully developed and required no additional funding. The following table sets out the Issuer's planned use of funds until other funds are available:

Item	**$**	**$**
Available Funds		
Estimated Consolidated Working capital (or deficiency) at February 28, 2015		(163,023)
Renegotiation of mortgage		210,560
Promissory Note		90,377
Working Capital		**137,914**
Principal Purposes		
Consulting and Professional Fees	(40,000)	
Mortgage payments for purchase of THC properties for 12 months	(65,000)	
Salaries	(15,000)	
General and administrative expenses		
Office Lease	(3,600)	
Telephone and Mobile Devices	(500)	
Computer Equipment	N/A	
Incidentals and Miscellaneous Expenses	(1,314)	
CSE Listing Fees	(12,500)	
Estimated Total for Principal Purposes		**($137,914)**
Estimated Required Additional Funds		Nil

Business Objectives

Objectives within a 12 Month Period

Within the next 12 months after completion of the listing on the CSE, the objectives the Issuer plans to pursue are as follows:

- Obtain one or more MMPR Licenses and all other permits. THC Meds and THC BioMed are in the process of obtaining MMPR Licenses to operate as regulated medical marihuana producers in Canada. The Issuer believes that at least one of its two wholly-owned operating subsidiaries will have obtained its MMPR License by the end of April 2015;

- Continue to offer consulting services to MMPR Licensed Producers and aspiring MMPR Licensed Producers, focussing on assisting aspiring MMPR Licensed Producers with their MMPR License applications;

Assuming that the Issuer will earn revenues or complete a financing, it also intends to do the following:

- Produce, sell and distribute marihuana for medical purposes;

- Enter into a final agreement with Canadian Mining;
- Complete testing, development and certification of Canadian Mining zeolite fertilizer;
- Produce, market, sell and distribute Canadian Mining zeolite fertilizer;
- Raise additional capital following the listing of the Issuer's common shares on the CSE; and,
- Continue to search for new opportunities in the field of the provisions of products and services for MMPR Licensed Producers.

Until the Issuer obtains funds through revenue or financing, it intends to focus on the following milestones:

Milestone	Estimated Timing	Estimated Cost to Complete
Real estate acquisition in Kelowna, British Columbia	Completed	$65,000 (1 year of mortgage)
Obtain MMPR License	By the end of April 2015	Nil
Offering of Consulting Services	Completed	Nil

In the event that the Issuer obtains funds through revenue or financing, it intends to add the following milestones to its business objectives:

Milestone	Timing	Estimated Cost to Complete
Enter into a final agreement with Canadian Mining	1 month	$5,000
Complete testing, development and certification of zeolite fertilizer	5 months	$75,000
Produce, market, sell and distribute zeolite fertilizer	6 months	$75,000
Initiate marketing plan	6 months	$60,000
Begin growing commercial medical marihuana	6 months	$150,000
Commence selling of medical marihuana	8 months	$100,000

Marketing Plan

To obtain clients for its MMPR Licensed Producer business, the Issuer will provide information to the public in accordance with all applicable laws and regulations. The Issuer also intends to host a website at www.thcbiomed.com to provide a user-friendly and attractive interface for MMPR Licensed Producers to learn about and contact the Issuer.

To obtain clients for its consulting services, the Issuer has been in contact with several groups who intend to make MMPR License applications. The Issuer believes that its experience and approach to the process of applying for an MMPR License will be of great use and savings of time and money to aspiring MMPR Licensed Producers. The Issuer also intends to provide a description of its consulting services in this regard on its website.

The Issuer intends to raise additional funds of approximately $1,000,000 in its first year of operations following its listing on the CSE. Some of these funds are earmarked for the further development and execution of the Issuer's marketing plan. The goal of the marketing plan is to make the Issuer's medical marihuana, technologies, supplies and services for MMPR Licensed Producers known by MMPR Licensed Producers across Canada and connect the Issuer's brand with high quality products in the minds of its target market. In order to achieve its marketing goals, the Issuer is prepared to engage additional employees or consultants to carry out the job of marketing and sales as well as to prepare and present marketing, trade show and general educational and informational presentations.

Distribution Plan

Distribution of the Issuer's products and services will be determined pursuant to the needs of the customers and the practicalities relating to the particular product or service. The medical marihuana will be distributed in strict accordance with all applicable laws and regulations.

Target Market

<u>Becoming and Operating as an MMPR Licensed Producer</u>

The Issuer's principal target market for the medical marihuana product will be other MMPR Licensed Producers. As of March 30, 2015, Health Canada lists 17 companies licensed under MMPR to produce and sell medical marihuana. This is the target market of the Issuer. Health Canada estimates that the number of licensed medical marihuana patients currently listed under the MMAR will increase almost ten-fold to more than 450,000 under the MMPR in the next decade. (Source: Financial Press, May 21, 2014). The Issuer intends to place itself in the market so as to provide seeds and other supplies, services and technologies to MMPR Licensed Producers. The Issuer also intends to sell medical marihuana to patients directly or through physicians, as permitted by the MMPR.

<u>Technologies, Products and Services for MMPR Licensed Producers</u>

For its technologies, products and services for MMPR Licensed Producers, the Issuers target market is comprised of MMPR Licensed Producers and MMPR License applicants. As of March 30, 2015, Health Canada lists 17 MMPR Licensed Producers. Health Canada reports having received nearly 700 MMPR Licensed Producer applications, having rejected close to 220 of those applications and being in the process of reviewing approximately 475 applications (Source: The Star, April 18, 2014.) Health Canada further reports that it has not placed a cap on the number of licenses that it will grant under MMPR (Source: Health Canada at http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/faq-eng.php).

There are approximately 40,000 qualified patients in Canada today and this number is projected to grow to more than 450,000 over the next 10 years (Source: Financial Press, May 21, 2014). The Issuer believes that this will require a substantial number of MMPR Licensed Producers to meet the demand and that these MMPR Licensed Producers will need to operate at a high level and produce reliable product.

In order to receive and maintain MMPR Licensed Producer status, a company must observe and maintain strict standards relating to all aspects of its business, including physical security measures, location, production practices, packaging, labelling, shipping, import, export and the security clearance of personnel. They must also comply with the provisions of the *Food and Drugs Act* and the *Narcotic Control Regulations* that apply to marihuana. The Issuer intends to examine all aspects of obtaining MMPR Licensed Producer status, operating as an MMPR Licensed Producer and maintaining MMPR Licensed Producer status to develop products and services that will be in demand by this growing, new market.

MMPR has created a new, for-profit medical marihuana industry in Canada. This new industry requires support from firms offering security, software, equipment, legal, supplies and logistics products and services.

The Issuer believes that MMPR Licensed Producers and MMPR License applicants will benefit most from Suppliers that are familiar with the MMPR's legal framework and can ensure regulatory compliance in relation to the services they provide.

MMPR creates challenges for health-care professionals. Doctors and, in some provinces, nurse practitioners are tasked with determining whether to prescribe medical marihuana to patients. Some medical professionals and their professional associations have made statements protesting against being placed in this position. Others medical professionals have spoken out in favour of these developments and several physicians have announced plans to open specialist medical marihuana clinics. The Issuer is examining business opportunities in this sector.

MMPR License applicants must overcome many legal, administrative and operational challenges in order to become and operate as MMPR Licensed Producers. Health Canada requirements for the granting of a license are stringent and set a very high standard for security, quality control and standard operating procedures. There are several legal restrictions that MMPR Licensed Producers will need to address in order to maintain their licenses. For example, Canada’s *Narcotic Control Regulations* prohibit the advertising of narcotics to the general public. MMPR Licensed Producers must obtain guidance and act with caution when marketing or providing information to the public because a violation of the applicable laws has serious repercussions, possibly including the revocation of a producer's license. Many MMPR License applicants who have experience in agriculture and/or business and financing but are not accustomed to pharmaceutical-level security and operations will likely find many of Health Canada’s requirements difficult to meet and maintain without assistance from expert Suppliers. The Issuer currently offers consulting services for MMPR License applicants and MMPR Licensed Producers. Please see the section entitled “Principal Products or Services” for more information. The Issuer is examining further business opportunities in this sector as well.

MMPR places legal requirements on MMPR Licensed Producers that not even pharmaceutical companies have to face in that MMPR Licensed Producers must deal directly with patients while pharmaceutical companies deal with doctors, hospitals and pharmacies. MMPR Licensed Producers must comply with requirements relating to the collection, use and disclosure of patient personal health information and with Canada's new anti-spam legislation as it relates to interactions with patients and the general public.

As Canada’s for-profit, medical marihuana industry continues to develop, MMPR Licensed Producers can be expected to contract with Suppliers to help ensure efficiency, quality and reliability in their processes of production, testing, packaging, marketing and distribution. The Issuer intends to provide many of the products and services that will be required by MMPR Licensed Producers in these areas.

Major Markets

As of the date of this Listing Statement, there are 17 MMPR Licensed Producers and approximately 475 MMPR License applicants (Source: The Star, April 18, 2014.) While the major markets for the Issuer's services are in British Columbia and Ontario, the Issuer intends to offer its services nationwide and equally to all MMPR Licensed Producers and patients and MMPR License applicants.

Competitors

As of the date of this Listing Statement, there were 17 MMPR Licensed Producers published on the Health Canada website authorized to produce and sell medical marihuana to eligible persons under the MMPR. While there may be other companies who have elected not to have their names published, the competition is still limited given the newly legislated legal regime. The companies who Health Canada has published as MMPR Licensed Producers are contained in the table below:

Aphria
Bedrocan Canada Inc.
Broken Coast Cannabis Ltd.
Canna Farms Ltd.
CanniMed Ltd.
CannTrust Inc.
Delta 9 Bio-Tech Inc.
In The Zone Produce Ltd.
MariCann Inc.
MedReleaf Corp.
Mettrum Ltd.
OrganiGram Inc.
RedeCan Pharm
The Peace Naturals Project Inc
Tilray
Tweed Inc.
Whistler Medical Marijuana Corp.

Health Canada reports that it has not placed a cap on the number of licenses that it will grant under MMPR (Source: Health Canada at http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/faq-eng.php). The Issuer will compete with all companies who obtain MMPR Licenses.

Direct Competitors

There are a substantial number of competitors in the general areas of services that could be used by MMPR Licensed Producers; however, the Issuer is not aware of substantial Suppliers who are focussed on MMPR Licensed Producers. This is a new industry and the Issuer intends to be an early mover in order to gain competitive advantage over Suppliers who arise in the future.

The current direct competitors with the Issuer are:

MMPR Licensed Producers’ own, in-house employees and consultants. While MMPR Licensed Producers will be able to develop many skills in-house, the Issuer believes that the need for external Suppliers will be great since the time period for the provision of the goods and services by the MMPR Licensed Producers will be short and a large quantity of product is expected to be required from the MMPR Licensed Producers.

Advanced Nutrients – A company focussed on providing fertilizer specifically for the growth of marihuana. This company does not, to the Issuer’s knowledge, offer zeolite products.

Jourdan Resources Inc. – A Canadian resource issuer developing fertilizer for the marihuana industry. Jourdan is a phosphate resource exploration and development company and, to the Issuer’s knowledge, is not developing a zeolite fertilizer.

Indirect Competitors

As the Issuer is currently focussing on the testing, development and marketing of the zeolite fertilizer through its arrangement with Canadian Mining, the following Suppliers are some of the Issuers current indirect competitors:

- Alpine Plant Foods – represents the highest sales of seed placed liquid fertilizer in Canada, with its own lines of starter nutrition, staged follar nutrition and micronutrients, for many forms of agriculture; and,
- Agrico Canada L.P. – offers several fertilizer options for many forms of agriculture.

Competitive Advantages

The Issuer believes that its competitive advantage will be the network of connections and arrangements it has already begun regarding the provision of products and services to MMPR Licensed Producers and MMPR License applicants, its ability to raise financing for the development of these products and services and the fact that the Issuer intends to benefit from its early entry into this new industry. Furthermore, the Issuer is currently focussed on becoming an MMPR Licensed Producer to offer medical marihuana to other MMPR Licensed Producers and offering consulting services to MMPR Licensed Issuers and MMPR License applicants.

For the medical marihuana product, the Issuer believes that most MMPR Licensed Producers are intent on offering medical marihuana directly to patients and that they will need to purchase product from Suppliers to supplement the amounts that they themselves will be able to produce.

The Issuer also intends to develop zeolite fertilizer for the industry. Please see the section entitled “Principal Products or Services” for more information. Most fertilizer companies do not have products tailored to the specific needs of the medical marihuana industry. The fertilizer companies who are making products for marihuana growth specifically have not developed the use of zeolites in their fertilizer. The Issuer believes that zeolites will make its product a better fertilizer for marihuana growth. Since the Issuer is developing the fertilizer in connection with a zeolite producer, it also has the advantage of being in business with a supplier of the key ingredient.

Information Concerning the Development of Products and Services

See “General Development of the Business”

Proposed Method of Providing Services

See “Narrative Description of the Business”

Specialized Skill and Knowledge Requirements

See “Narrative Description of the Business – Description of the Business”

Sources, Pricing and Availability of Raw Materials, Component Parts or Finished Products

See “Narrative Description of the Business – Principal Products or Services - Zeolite Fertilizer”

Intellectual Property

The Issuer intends to develop intellectual property through the development of its products and services. The Issuer intends to protect its intellectual property through patents and patents pending where such protection is determined to be advisable and commercially reasonable by the Issuer’s management.

Seasonality of the Business

Not applicable

The Impact on Operations of Termination or Renegotiation of Contracts in the 12 Months Following the Date of the Preliminary Listing Statement

Not applicable

The Impact of Environmental Protection Requirements

Not applicable

Number of Employees

As of the date of this Listing Statement, the Issuer employed ten (10) employees, being its executive officers and management of it and its two wholly-owned subsidiaries as well as the consultants preparing the medical marihuana growing facility for the anticipated issuance of the MMPR License. In due course, the Issuer plans to engage additional employees or consultants in the areas of product and service development.

Foreign Operations Risks

Not applicable

Dependence on Contracts

See “Material Contracts”

The Impact on Operations of Termination or Renegotiation of Contracts in the Current Financial Year

Not applicable

Lending Operations, Investment Policies and Lending and Investment Restrictions

Not applicable

Bankruptcy, Receivership or Similar Proceedings

Not applicable

Material Restructuring Transaction

Not applicable

Social or Environmental Policies

The previous Canadian medical marihuana regime, MMAR, was to have been rescinded and replaced by MMPR on March 31, 2014. However, on March 21, 2014 the Federal Court issued an injunction, allowing people with licenses under MMAR to continue to grow and consume marihuana in accordance with MMAR until a constitutional hearing of the new system can be held. The date for the constitutional hearing has not been set but the injunction from the Federal Court stated that it would be expected to occur within nine to twelve months.

While the outcome of the constitutional hearing is expected to have an impact on the Issuer's business, it is expected to be one of degrees: either some or all MMAR participants will be allowed to continue to grow and consume marihuana or they will not be. The Issuer expects the decision to possibly have an impact on the size of the market initially available to MMPR Licensed Producers but not to change the essential nature of the business of being an MMPR Licensed Producer or an MMPR Licensed Producer Supplier.

5. Selected Financial Information

Annual Information

The following table sets out certain financial information for the Issuer for each of the last three completed years for the years ended September 30, 2014, 2013 and 2012 and for the three months ended December 31, 2014.

The information provided below is qualified in its entirety by the unaudited financial statements of THC BioMed Intl. Ltd. attached as Appendix "A" and the audited financial statements of THC BioMed Intl. Ltd. attached as Appendices "B", "C" and "D" to this Listing Statement. Reference should be made to those financial statements.

	Year Ended September 30, 2014 $	Year Ended September 30, 2013 $	Year Ended September 30, 2012 $	Three Months ended December 31, 2014 (Unaudited) $
Total Revenue	Nil	Nil	Nil	Nil
Income from continuing operations	Nil	Nil	Nil	Nil
Gain on Sale of Investment	Nil	Nil	Nil	999
Gain on sale of mineral interest	Nil	Nil	Nil	57,923
Net income (loss):				
in total	(1,317,640)	(371,058)	(8,114,516)	(108,530)
on a per share basis	(0.08) [(1)]	(0.05) [(1)]	(0.19)	(0.01) [(1)]
fully diluted	(0.08) [(1)]	(0.05) [(1)]	(0.19)	(0.01) [(1)]
Current Assets	591,782	189,105	41,862	444,515
Current Liabilities	(468,602)	(678,582)	(449,138)	(292,067)
Working Capital (Deficit)	123,180	(489,477)	(407,276)	152,448
Total long-term financial liabilities	180,944	Nil	Nil	361,437
Cash dividends declared in total:				
on a per share basis	Nil	Nil	Nil	Nil
fully diluted share basis for each class of share	Nil	Nil	Nil	Nil
Impairment of mineral interest	Nil	Nil	(5,819,820)	Nil
Write off of abandoned properties	Nil	Nil	(1,725,061)	Nil
Weighted average number of shares outstanding	17,253,443[(1)]	7,255,369[(1)]	7,134,314[(1)]	18,698,374 [(1)]

(1) Adjusted to reflect the 6:1 share consolidation that was competed on December 23, 2014 on a retrospective basis.

THC BioMed Ltd.

The following table sets out certain financial information for the Issuer's wholly-owned subsidiary, THC BioMed for the year ended July 31, 2014 and the three months ended October 31, 2014 (unaudited). The information provided below is qualified in its entirety by the unaudited financial statements of THC BioMed attached as Appendix "F" and the audited financial statements of THC BioMed attached as Appendix "G" to this Listing Statement. Reference should be made to those financial statements.

	For Year Ended July 31, 2014 $	For Year Ended July 31, 2013 $	For the Three Months Ended October 31, 2014 $ (unaudited)
Total Revenue	Nil	Nil	Nil
Income from continuing operations	Nil	Nil	Nil
Net income (loss):			

in total	(214,101)	(31,108)	(173,462)
Basic and diluted loss per share	(107)	(311)	(14)
Current Assets	24,722	12,940	46,938
Total Assets	474,422	404,072	531,390
Current Liabilities	(205,351)	(213,673)	(388,758)
Total Liabilities	(581,525)	(435,179)	(388,758)
Working Capital (Deficit)	(180,629)	(200,733)	(341,820)
Cash dividends declared in total:			
on a per share basis	Nil	Nil	Nil
fully diluted share basis for each class of share	Nil	Nil	Nil

THC Meds Inc.

The following table sets out certain financial information for the Issuer's wholly-owned subsidiary, THC Meds for the period ended July 31, 2014 and the three months ended October 31, 2014 (unaudited). The information provided below is qualified in its entirety by the unaudited financial statements of THC Meds attached as Appendix "H" and the audited financial statements of THC Meds attached as Appendix "I" to this Listing Statement. Reference should be made to those financial statements.

	For Period from Incorporation to July 31, 2014 $	For the Three Months Ended October 31, 2014 $ (unaudited)
Total Revenue	Nil	Nil
Income from continuing operations	Nil	Nil
Net income (loss):		
in total	(1,241)	(5,615)
Basic and diluted loss per share	(0.41)	(0.45)
Current Assets	Nil	249,869
Total Assets	Nil	591,473
Current Liabilities	(1,241)	(24,214)
Total Liabilities	(1,241)	(267,022)
Working Capital (Deficit)	(1,241)	225,655

Quarterly Information

The following table sets out selected financial information for the eight most recently completed quarters ending at the end of the Issuer's most recently completed financial year.

	December 31, 2012 (Unaudited) $	March 31, 2013 (Unaudited) $	June 30, 2013 (Unaudited) $	September 30, 2013 $	December 31, 2013 (Unaudited) $	March 31, 2014 (Unaudited) $	June 30, 2014 (Unaudited) $	September 30, 2014 $
Total Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income from	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

continuing operations								
Net income (loss):								
in total	(107,757)	(86,397)	(82,432)	(94,472)	(37,170)	(156,381)	(1,012,449)	(111,640)
Basic and diluted loss per share	(0.02)[(1)]	(0.01)[(1)]	(0.01)[(1)]	(0.01)[(1)]	(0.00)[(1)]	(0.02)[(1)]	(0.05)[(1)]	(0.01)[(1)]

(1) Adjusted to reflect the 6:1 share consolidation that was competed on December 23, 2014 on a retrospective basis.

Dividends

Dividends can be declared by the Issuer's board of directors when deemed appropriate from time to time. To date, the Issuer has not declared any dividends on the common shares and it is unlikely that earnings will be available for the payment of dividends in the foreseeable future. The Issuer intends to retain earnings, if any, to finance growth. The payment of dividends in the future will depend on the Issuer's earnings and financial condition and such other factors as its board of directors may consider appropriate.

Foreign GAAP

Not applicable.

6. Management's Discussion and Analysis

The Annual MD&A and Interim MD&A are incorporated by reference into this Listing Statement and can be viewed at www.sedar.com.

7. Market for Securities

The Issuer's common shares are currently not listed on a stock exchange.

8. Consolidated Capitalization

The following table sets out the consolidated capitalization of the Issuer as at year end, September 30, 2014 and its most recent quarter ended at December 31, 2014.

Authorized	Outstanding at September 30, 2014	Outstanding at December 31, 2014
Long Term Debt	$180,944	$361,437
Common Shares (unlimited)	$22,945,299	$22,953,224

9. Options to Purchase Securities

As of the date of this Listing Statement, 1,583,334 of the Issuer's common shares are reserved for issuance pursuant to common stock purchase options, as set out below.

Optionee	Type of Option	Number of Common Shares under Option	Exercise Price	Expiry Date
Officers/Employees	Incentive Stock Option	333,333	$0.60	April 20, 2016
Directors	Incentive Stock Option	250,000	$0.60	April 20, 2016
Consultants	Incentive Stock Option	1,000,001	$0.60	April 20, 2016
Total		1,583,334		

The Issuer has an option plan dated for reference February 10, 2015 (the "**Option Plan**") pursuant to which the board of the directors (the "**Board**") may, from time to time, grant options to directors, officers, employees and consultants of the Issuer. The number of Common Shares granted under each option and the vesting terms thereof are in the discretion of the Board. Options granted under the Option Plan must have a term of no more than 10 years from the date of grant. The exercise price of each option granted under the Option Plan is in the discretion of the Board, provided that the exercise price cannot be below the closing price of the Common Shares on the TSXV on the last trading day before the date of grant. Any outstanding options granted under the Option Plan expire on a date not exceeding 90 days following the date that the holder ceases to be an officer, director, employee or consultant of the Issuer, as the case may be, except in the case of death in which case the options expire one year from the date of death. Options granted under the Option Plan are non-assignable and non-transferable.

Outstanding options granted under the Option Plan may be adjusted in certain events, as to exercise price (subject to disinterested shareholder approval prior to any reduction to the exercise price if the affected optionee is an insider (as defined in the Securities Act) of the Issuer at the time of the proposed amendment) and number of Common Shares, to prevent dilution or enlargement. The number of Common Shares that may be optioned under the Option Plan is limited to 10% of the outstanding Common Shares from time to time, provided that any one participant under the Option Plan shall not be entitled to receive options to acquire an aggregate of greater than 5% (2% in the case of consultants) of the outstanding Common Shares in any 12 month period.

10. Description of the Securities

Authorized Capital

Common Shares. The authorized capital of the Issuer consists of an unlimited number of common shares without par value of which 75,674,620 common shares are issued and outstanding as at the date of this Listing Statement. Holders of the Issuer's common shares are entitled to notice of and to attend and vote at all meetings of shareholders declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Issuer. Each common share entitles the holder thereof to one vote.

Warrants. The Issuer currently has 5,233,333 common share purchase warrants outstanding in its authorized capital. Each warrant entitles the holder to acquire one common share in the Issuer for a period of three years from the date of issuance, at a price of $0.30 per common share until September 25, 2015 and $0.60 per common share until the expiry date on until September 25, 2016.

Options. Pursuant to our stock option plan, stock options were granted to our directors, officers for the purchase of up to an aggregate of 1,583,334 common shares at an exercise price of $0.60 per share, expiring April 10, 2016.

Modification of Terms

Subject to the BCBCA, the directors of the Issuer may by ordinary resolution create special rights or restrictions for and attach those special rights or restrictions to, or vary or delete any special rights or restrictions attached to, the shares of any class or series of shares, whether or not any or all of those shares have been issued, and alter its Notice of Articles and Articles accordingly.

Other Attributes

None.

Prior Sales

The following table summarizes the issuances of the Issuer's common shares or securities convertible into common shares for the 12 month period prior to the date of this Listing Statement.

Date Issued	Class of Security	Number of Common Shares Issued(2)	Price/Deemed Price/Exercise Price of Security(2)
March 27, 2014	Common Share Purchase Options	9,500,000 Options(2)	$0.10(2)
September 30, 2013	Units(1)	50,500,000 Common(2)	$0.005(2)
March 21, 2014	Warrants Exercised	5,000,000 Common(2)	$0.05(2)
March 28, 2014	Warrants Exercised	15,000,000 Common(2)	$0.05(2)
June 13, 2014	Warrants Exercised	100,000 Common(2)	$0.05(2)
January 14, 2015	Acquisition	44,612,736 Common	$0.045
January 22, 2015	Acquisition	12,363,510 Common	$0.045

(1) Each unit consisted of one common share and one non-transferable common share purchase warrant.

(2) These numbers have not been adjusted to reflect the 6:1 share consolidation completed on December 23, 2014.

Stock Exchange Price

The Issuer traded on the TSXV from February 4, 2010 until December 22, 2014 when the Issuer voluntarily delisted. The common shares of the Issuer were listed for trading on the TSXV under the trading symbol "THC". The following table sets forth the daily high and low closing trading prices and the volume of the trading of the Common Shares on the TSXV for the periods indicated as reported by Yahoo Finance.

Date	High	Low	Volume[1]
May 1 – 21, 2014	0.08	0.05	12,942,700
April 1 – 30, 2014	0.14	0.06	40,157,600
January 1 – March 31, 2014	0.17	0.01	53,438,100
October 1, 2013 – December 31, 2013	0.01	0.01	2,639,200
July 1, 2013 – September 30, 2013	0.01	0.01	4,106,400
April 1 – June 30, 2013	0.02	0.01	281,900
January 1 – March 31, 2013	0.03	0.02	1,081,000
October 1, 2012 – December 31, 2012	0.05	0.02	891,500
July 1, 2012 – September 30, 2012	0.05	0.01	4,522,600

(1) Represents the total volume of shares traded during the period indicated.

11. Escrowed Securities

The following table sets out the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, under stock restriction agreements between the Issuer and certain shareholders ("**Restriction Agreement**.")

Designation of class held under Restriction Agreement	**Number of Common Shares Restricted**	**Percentage of Class[1]**
Directors and Officers	46,051,852	61%
Control Persons	6,665,886	9%
Total	52,717,738	70%

(1) Based on a total of 75,674,620 issued and outstanding Issuer common shares.

The Restriction Agreement includes the following vesting provisions:

Release Date	**Proportion of Released Shares**
On the date the Issuer's securities are listed on a Canadian exchange (the "**Listing Date**")	1/10 of the Stock
6 months after the Listing Date	1/6 of the remainder of the Stock
12 months after the Listing Date	1/5 of the remainder of the Stock
18 months after the Listing Date	1/4 of the remainder of the Stock
24 months after the Listing Date	1/3 of the remainder of the Stock
30 months after the Listing Date	1/2 of the remainder of the Stock
36 months after the Listing Date	The remainder of the Stock

12. Principal Shareholders

The following table lists the Issuer's principal shareholders as of the date of this Listing Statement.

Name	Ownership	Number of Issuer Shares	Percentage[1]
Hee Jung Chun	Of record and beneficial	22,306,368	29%
John Miller	Of record and beneficial	22,306,368	29%

(1) Based on a total of 75,674,620 issued and outstanding Issuer common shares.

13. Directors and Officers

Management Experience

The following table sets out the names of current directors and executive officers, their respective principal occupations within the five preceding years, their effective date of appointment as directors or executive officers of the Issuer, and the number of the Issuer's shares that each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Listing Statement.

Name of Nominee, Age, Municipality and Country of Residence and Current Position with the Issuer	Principal Occupation, Business or Employment of the Last Five Years and Educational Background	Director/Officer Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly, as of the Date Hereof
Jason Walsh Age 43 North Vancouver, B.C. Director	Director, Chief Financial Officer and Secretary of Scout Exploration Inc. (OTCQB:SCXN) from March 3, 2006 to the present. Director/Officer of the Issuer since April 2003. Director and officer of International Ranger Corp. (OTC Pink: IRNG) from February 2005 to the present. Officer (Secretary) of Zadar Ventures Ltd. (TSXV:ZAD) from April 9, 2010 to the present and CFO from June 22, 2010 to December 31, 2011. Director/CFO of Ringbolt Ventures Ltd**.** (TSX-Venture: RBV**,** Frankfurt: 3OZ**,** OTCQX: RNGTF) from July 2006 to Nov 2008. Mr. Walsh has over 20 years of relevant business experience including 10 years as a stockbroker that allowed him to gather invaluable experience and insight into the formation and financing of venture capital companies. In 2003 he joined the Issuer as President and since that time has been responsible for the financing of the Issuer's projects and overseeing the Issuer's day-to-day operations.	April 2003	1,657,700[(1)]
Geoff Watson Age 51 North Vancouver, B.C. CFO, Secretary and Director	Director and Officer with Eagle Mt. Gold Corp. (TSXV:Z, Frankfurt:E9X1, OTCQX:EMGCF) from December 2012 to March 2014. Director and officer of Zadar Ventures (TSXV:ZAD) from December 2011 to the present. Director/Officer of the Issuer since October 2010. Mr. Watson is currently the principal of GRW Inc. (formerly Complete Communications Inc.), a private company that provides services relating to accounting and financial matters. Mr. Watson completed the TSX Internal control workshop in May 2011 and the TSX Venture filing fundamentals course in June 2011.	October 2010	333,333[(2)]

George Smitherman Age 51 Toronto, Ontario Director	Dedicated more than 30 years to public policy fields at the Municipal, Provincial and Federal Level, where roles as Senior Advisor, Minister of Energy and Infrastructure and Ontario's Minister of Health were held During tenure as Minister of Health, 10 pieces of Legislation were shepherded, while working closely with a large Ministry legal team, Health Regulatory Bodies, Health Care Administrators and numerous patient and disease groups	January 14, 2015	4,956,970[(3)]
Hee Jung Chun Age 39 Kelowna, BC Director	Director and officer of THC Meds Inc., Director and Officer of THC BioMeds Ltd. from incorporation to date, Ms. Chun utilized her experience as a franchise based service business owner in Kelowna and a previous owner of an art gallery to become the founder of THC Medical Systems Ltd. Ms. Chun translated her passion for art into a passion for medical marihuana, providing initial seed financing to launch large scale research and development into the scientific benefits of Cannabis in 2012. A rare exemption 56 to conduct this research and development was granted to Ms. Chun in August 2013. Assisting in the scientific research under this provision, Ms. Chun has further demonstrated her devotion to the project, by not only acting as a Director and Officer but, involving herself in the very intimate details from seed to harvest.	January 14, 2015	22,306,368

John Miller Age 48 Kelowna, BC Director, President and CEO	Director and officer of THC Meds Inc. and Director and Officer of THC BioMeds Ltd. from incorporation to date. Overall supervision of R&D, crop production, quality control, shipping, facility operation and maintenance Mr. Miller established himself as a strong business presence in the restoration field. He gained certification in flood and water restoration and the control of bacteria and mold for sanitary environments. Mr. Miller has used his extensive experience in environment control to lead projects in schools to eradicate an H1N1 outbreak, implement successful ozone clean environments and decontaminate ATM machines owned by Canadian Imperial Bank of Commerce and Royal Bank to further prevent the spread of H1N1. Bringing his expertise to THC Biomeds, Mr. Miller has been instrumental in maneuvering in legal, municipal and regulatory arenas, while establishing the facility and growing the business. Mr. Miller has established strong and credible relationships with the local Mayor and council and has enlisted their co-operation to assist with creating a positive image surrounding medical cannabis in the local community.	January 14, 2015	22,306,368

(1) Includes 1,210,583 common shares indirectly held in the name of BUA Capital Management Ltd., 16,667 common shares indirectly held in the name of Jason Walsh RRSP, 225,450 common shares indirectly held in the name of Trust Account for Chase and 205,000 common shares indirectly held in the name of Trust Account for Matiya.

(2) These shares are indirectly held in the name of GRW Inc. (formerly Complete Communications Inc.)

(3) These shares are indirectly held in the name of THC Meds Ontario Inc.

As a group, the directors and the executive officers own directly or indirectly, or exercise control or direction over, an aggregate of approximately 51,560,739 common shares or 68% of the Issuer's issued and outstanding share capital.

<u>Board Committees</u>

The following are currently the members of the Committee, all of whom are Financially Literate(1):

Jason Walsh (Independent(1))

John Miller (Not Independent(1))

Geoffrey R. Watson (Not Independent(1))

(1) As defined by National Instrument 52-110 ("NI 52-110").

A copy of the audit committee charter is included as Schedule “E” to this Listing Statement.

The Issuer relies upon the exemption available to Venture Issuers in Section 6.1 of NI 52-110.

Penalties, Sanctions and Bankruptcy

Other than as disclosed below, none of the Issuer’s directors, officers, insiders or promoters, nor a shareholder holding a sufficient number of the Issuer’s securities to materially affect control, nor a personal holding company of any such persons has, within the past 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

- Geoffrey R. Watson, a director and officer of the Issuer, filed for bankruptcy on May 12, 2009 and was discharged on February 13, 2010.

- Hee Jung Chun, a director of the Issuer, filed for bankruptcy on June 11, 2010 and was discharged on March 12, 2011.

Other than as disclosed below, during the past 10 years, none of the Issuer’s directors, officers, insiders, or promoters, or a shareholder holding a sufficient number of the Issuer’s securities to materially affect control, was a director, officer, insider, or promoter of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied that issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

- Jason Walsh is a director and officer of International Ranger Corp., which was cease traded by the BCSC on July 6, 2006 in respect of some corporate disclosure concerns. That cease trade order was revoked on July 18, 2007. A second cease trade order was issued in 2009 and also revoked. A third cease trade order was issued in August 2009 and is still active in B.C.

- Jason Walsh is a director and officer of Scout Exploration, Inc., which was cease traded by the BCSC on July 6, 2006 for a failure to file financial statements. That cease trade order was revoked. A second B.C. cease trade order was issued in 2009 and also revoked. A third B.C. cease trade order was issued in August 2009 and is still active.

- Jason Walsh was cease traded pursuant to an order issued by the BCSC on October 23, 2012. The order stated that Mr. Walsh made changes in his beneficial ownership of securities of the Issuer between February 2, 2010 and September 15, 2012 that were not filed in the required insider reports within the prescribed time. The matter has been cleared up and all insider information has been filed. No disciplinary action was ever taken. This order was revoked on October 8, 2014.

No director or officer of the Issuer or, to the Issuer’s knowledge, shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a

Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Potential Conflicts

The directors of the Issuer are required by law to act honestly and in good faith with a view to the best interest of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Issuer will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

To the best of the Issuer's knowledge, there are no known existing or potential conflicts of interest among the Issuer and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

14. Capitalization

The following tables provide information about the Issuer's capitalization as of the date of this Listing Statement.

Description of security	Number authorized to be issued	Number outstanding as at the date of this Listing Statement	Number outstanding after minimum offering	Number outstanding after maximum offering
Common Shares without par value	No maximum	75,674,620	N/A	N/A
Warrants	No maximum	5,233,333	N/A	N/A
Stock Options	10% rolling	1,583,334	N/A	N/A

Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total Outstanding (A)	75,674,620	82,491,287	100%	100%
Held by Related Persons or employees the Issuer or by	58,967,279	60,842,279	78%	74%

persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	16,707,341	21,649,008	22%	26%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	52,717,738	52,717,738	70%	64%
Total Tradeable Float (A-C)	22,956,882	29,773,549	30%	36%

Public Securityholders (Registered)

Common Shares

Size of Holding	Number of Holders[(1)]	Total Number of Securities[(1)]
1-99 securities	15	1,076
100 – 499 securities	3	4,945
500 – 999 securities	1	4,900
1,000 – 1,999 securities	1	11,200
2,000 – 2,999 securities	3	45,000
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	13	62,876,417

Unable to confirm		0

[(1)]Current estimate based on share range reports received prior to completion of share consolidation on December 23, 2014 and the Acquisition in January 2015.

Public Securityholders (Beneficial)

Common Shares

Size of Holding	Number of Holders[(1)]	Total Number of Securities[(1)]
1-99 securities	532	28,273
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	88	52,048
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	671	12,731,082

[(1)]Current estimate based on share range reports received prior to completion of share consolidation on December 23, 2014 and the Acquisition in January 2015.

Convertible Securities

The following table summarizes the outstanding securities convertible into Common Shares in our authorized capital as of the date of this Listing Statement.

Description of the Security (including conversion or exercise terms, including conversion or exercise price)	**Number of Convertible or Exchangeable Securities Outstanding**	**Number of Listed Securities Issuable Upon Conversion or Exercise**
$0.30 Warrants[(1)]	5,233,333	5,233,333
Stock Options issued with an exercise price of $0.60 per Common Share[(1)]	1,583,334	1,583,334

[(1)] *Further described under "Section 10, Description of the Securities"*

15. Executive Compensation

This disclosure is intended to communicate the compensation provided to the Issuer's President and Chief Executive Officer (the "**CEO**"), the Chief Financial Officer (the "**CFO**") and the three other most highly compensated officers of the Issuer (if they individually received more than $150,000 of total compensation during the most recently completed financial year) during the year ended September 30, 2014 (collectively, the "**Named Executive Officers**" or "**NEOs**") and the directors of the Issuer. For the year ended September 30, 2014, the Issuer's NEOs were Jason Walsh (former CFO and former CEO) andGeoffrey R. Watson (CFO).*Compensation Discussion and Analysis*

The Issuer relies solely on Board discussion to determine compensation paid to executives and directors, without any formal objectives, criteria or analysis. The Issuer's compensation program consists primarily of stock options.

The long-term incentive program is intended to align the interests of the NEOs, directors, consultants and employees with those of the Issuer's shareholders over the longer term and to provide a retention incentive for each NEO. This component of the compensation package consists of grants of options to purchase common shares as permitted under the Stock Option Plan of the Issuer and applicable stock exchange rules. Numerous factors are taken into consideration by the Board in determining grants of options, including: a review of the previous grants (including value both at the current share prices and potential future prices), the remaining time to expiry, overall corporate performance, share price performance, the business environment and the role and performance of the individual in question.

During the year ended September 30, 2014, 1,583,334 stock options were granted to directors, officers, consultants and employees of the Issuer.

Summary Compensation Table

The following table presents the summary of compensation paid during the financial years ended September 30, 2014 and September 30, 2013, and September 30, 2012 to the Issuer's NEOs:

Name and Principal Position	Year	Salary ($)	Share-based awards ($)	Option-based awards [1] ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Jason Walsh[2] Former CEO	2014	12,000[3]	Nil	125,000	Nil	Nil	Nil	145,950[4]	282,950
	2013	12,000[3]	Nil	Nil	Nil	Nil	Nil	139,320[4]	151,200
	2012	12,000[3]	Nil	Nil	Nil	Nil	Nil	140,560[4]	152,560
Geoffrey A. Watson[5][6] CFO	2014	12,000[3]	Nil	62,500[5]	Nil	Nil	Nil	36,000	110,500
	2013	12,000[3]	Nil	Nil	Nil	Nil	Nil	36,000	48,000
	2012	12,000[3]	Nil	Nil	Nil	Nil	Nil	37,000	49,000
George W. Heard [7] Former CEO	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michelle Pillon[8] Former CFO	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) The option-based awards dollar value was calculated using a Black-Scholes model, which included assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Issuer's BioMed Intl.'s common shares and the expected life of the options.

(2) Mr. Walsh was the CEO of THC BioMed Intl. from June 6, 2012 to April 3, 2014.

(3) Director's fees of $1,000 per month.

(4) During the year ended September 30, 2011, BUA Capital Management Ltd. ("**BUA Capital**"), a private

company controlled by Mr. Walsh, received consulting fees of $4,500 per month. Effective January 2012, the fee was increased to $7,500 per month. Also office and administration service fees were paid to BUA Group Holdings Ltd. (“**BUA Group**”), a private company controlled by Mr. Walsh,$55,950, $59,560 and $49,200 in the years 2014, 2013, and 2012, respectively.

(5) Mr. Watson was appointed CFO of the Issuer on June 6, 2012. Mr. Watson was the CEO of the Issuer from April 3, 2014 to January 14, 2015. A consulting fee of $6,500 per month was paid to Hardcastle Capital Partners, a company that Mr. Watson controls. Consulting fees of $3,000 per month were paid to GRW Inc. (formerly GRW Inc. (formerly Complete Communications Inc.)), a company of which Mr. Watson is a principal, for the provision of services relating to accounting and financial matters.

(7) Mr. Heard ceased to be a director and CEO of THC BioMed Intl. on February 14, 2012.

(8) Ms. Pillon ceased to be CFO of THC BioMed Intl. on June 6, 2012.

Incentive Plan Awards

The following table sets forth information in respect of all outstanding share-based awards and option-based awards outstanding to each of the NEOs at September 30, 2014.

Name	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option Exercise Price ($)	Option Expiration Date (mm/dd/yy)	Value of unexercised in-the-money options [(1)] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Jason Walsh[(2)(6)] former CEO	250,000	$0.60	April 10, 2016	Nil	N/A	N/A
Geoffrey A. Watson[(3)] CFO	125,000	$0.60	April 10, 2016	Nil	N/A	N/A
Scott Walters Former CEO	333,333	$0.60	April 10, 2016	Nil	N/A	N/A
George W. Heard [(4)] former CEO	Nil	Nil	Nil	Nil	N/A	N/A
Michelle Pillon[(5)] former CFO	Nil	Nil	Nil	Nil	N/A	N/A
John Miller CEO	Nil	Nil	Nil	Nil	N/A	N/A

(1) The “Value of unexercised in-the-money options” is calculated on the basis of the difference between the closing price of THC BioMed Intl.’s common shares on the TSX Venture Exchange (the “**Exchange**”) on September 30, 2014 and the Exercise Price of the options. The closing price of the Issuer’s common shares on the Exchange on May 21, 2014, the last day on which THC BioMed Intl.’s shares traded in the year ended September 30, 2014, was $0.045.

(2) Mr. Walsh was the CEO of THC BioMed Intl. from June 6, 2012 to April 3, 2014.

(3) Mr. Watson became the CFO of THC BioMed Intl. on June 6, 2012.

(4) Mr. Heard ceased to be a director and CEO of THC BioMed Intl. on February 14, 2012.

(5) Ms. Pillon ceased to be the CFO of THC BioMed Intl. on June 6, 2012.
(6) Options granted to a private company controlled by Mr. Walsh, BUA Capital Management.

Incentive Plan Awards – value vested or earned during the year

The following table sets forth for each NEO, the value of option-based awards and share-based awards which vested during the year ended September 30, 2014 and the value of non-equity incentive plan compensation earned during the year ended September 30, 2014.

Name	Option-based awards – Value vested during the year[1] ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Jason Walsh[2], former CEO	125,000	N/A	N/A
Scott Walters, former CEO	166,667	N/A	N/A
Geoffrey A. Watson[3], CFO	62,500	N/A	N/A
George W. Heard[4], former CEO	N/A	N/A	N/A
Michelle Pillon[5], former CFO	N/A	N/A	N/A
John Miller, CEO	N/A	N/A	N/A

(1) Calculated based on the difference between the market price of the common shares on the vesting date and the exercise price of the options on the vesting date. A nil amount indicates that no options held by the NEO vested during the year ended September 30, 2012 at an "in the money" amount when the exercise price was compared to the closing price of THC BioMed Intl.'s common shares on the Exchange on the date of vesting.
(2) Mr. Walsh was the CEO of THC BioMed Intl. from June 6, 2012 to April 3, 2014.
(3) Mr. Watson became the CFO of THC BioMed Intl. on June 6, 2012.
(4) Mr. Heard ceased to be a director and CEO of THC BioMed Intl. on February 14, 2012.
(5) Ms. Pillon ceased to be the CFO of THC BioMed Intl. on June 6, 2012.

Termination and Change of Control Benefits

The Issuer does not have any compensatory plan(s), contract(s) or arrangement(s) with respect to the resignation, retirement or any other termination of the NEO's employment, a change of control of the Issuer or either of its wholly-owned subsidiaries or a change in the NEO's responsibilities following a change in control.

Director Compensation

The following table sets out the compensation paid to each of the Issuers directors, other than directors who are NEOs, for the year ended September 30, 2014.

Name	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
John A. Roozendaal	Nil	Nil	62,500	Nil	Nil	Nil	62,500
Mark T. Tommasi	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Paid for by THC BioMed.

Directors of the Issuer are reimbursed for any out-of-pocket expenses incurred, in the course of their duties as directors. Incentive stock options are granted from time to time and compensation of $1,000 per month has been paid to Mr. Walsh and Mr. Watson for their services as directors. Directors and officers have been and may be granted stock options from time to time.

From time to time, directors may be retained as consultants or experts to provide specific services to the Issuer and will be compensated on a normal commercial basis for such services.

Management functions are substantially performed by the Issuer's directors or senior officers (or private companies controlled by them, either directly or indirectly) and not by any other person with whom the Issuer has contracted.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each of the Issuer's directors, other than directors who are also NEOs, all option-based and share-based awards outstanding at the end of the financial year ended September 30, 2013.

Name	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option Exercise Price ($)	Option Expiration Date (m/d/y)	Value of unexercised in-the-money options (1) ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
John A. Roozendaal	Nil	Nil	Nil	Nil	N/A	N/A
Mark T. Tommasi	Nil	Nil	Nil	Nil	N/A	N/A

(1) The "Value of unexercised in-the-money options" is calculated on the basis of the difference between the closing price of THC BioMed Intl.'s common shares on the Exchange on September 30, 2013 and the

Exercise Price of the options. The closing price of THC BioMed Intl.'s common shares on the Exchange on September 30, 2013, the last day on which THC BioMed Intl.'s shares traded in September 2013, was $0.01.

Incentive Plan Awards – value vested or earned during the year

The following table sets forth for each of the directors, other than directors who are also NEOs, the value of option-based awards and share-based awards which vested during the year ended September 30, 2014 and the value of non-equity incentive plan compensation earned during the year ended September 30, 2014.

Name	Option-based awards – Value vested during the year (1) ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
John A. Roozendaal(2)	62,500	N/A	N/A
Mark T. Tommasi(2)	Nil	N/A	N/A

(1) Calculated based on the difference between the market price of the common shares on the vesting date and the exercise price of the options on the vesting date. A nil amount indicates that no options held by the directors vested during the year ended September 30, 2014 at an "in the money" amount when the exercise price was compared to the closing price of the Issuer's common shares on the Exchange on the date of vesting.

(2) John A. Roozendaal and Mark T. Tommasi resigned on January 14, 2015.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as of February 28, 2015, all information required with respect to compensation plans under which equity securities of the Issuer are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,583,334	$0.60	5,984,128
Equity compensation plans not approved by security holders	Nil	--	--
Total	1,583,334(3)	$0.60	5,984,128

16. Indebtedness of Directors and Executive Officers

Except as disclosed below, no person who is, or at any time during the most recently completed financial year was, a director or executive officer of the Issuer, a proposed nominee for election as a director of the Issuer, or an associate of any of the foregoing individuals, has been indebted to the Issuer at any time since the commencement of the Issuer's last completed financial year.

AGGREGATE INDEBTEDNESS ($)		
Purpose (a)	To the Issuer or its wholly-owned Subsidiaries (b)	To Another Entity (c)
Share purchases	Nil	N/A
Other	Nil	N/A

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Listing Statement or in the Financial Statements, no informed person of the Issuer, any proposed director of the Issuer, or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction since the commencement of our most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Issuer or our wholly-owned subsidiaries. An "informed person" means a director or executive officer of a reporting issuer; a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer; any person or company who beneficially owns, directly or indirectly, voting shares of a reporting issuer or who exercises control or direction over shares of the reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the reporting issuer; and a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it hold any of its securities.

MANAGEMENT CONTRACTS

Management functions are substantially performed by the Issuer's directors or senior officers (or private companies controlled by them, either directly or indirectly) and not by any other person with whom the Issuer has contracted.

AUDITORS

Wolrige Mahon LLP, Chartered Accountants, are the auditors of the Issuer and its subsidiaries and have been appointed until the next annual general meeting at remuneration to be fixed by the Board.

AUDIT COMMITTEE

Composition of the Audit Committee

The following are currently the members of the Committee:

	Independent [1]	Financially Literate [1]
Geoffrey R. Watson	N	Y
John Miller	N	Y
Jason Walsh	Y	Y

(1) As defined by National Instrument 52-110 (“NI 52-110”).

The Issuer is relying on the exemption provided under Section 6.1 of NI 52–110 for venture issuers which exempts venture issuers from the requirements of Part 5 (Reporting Obligations) of NI 52-110. Part 5 requires that if management of an issuer solicits proxies from the shareholders for the purpose of electing directors, the issuer must include a cross-reference to the issuer’s AIF that contains additional information about the qualifications of its directors. the Issuer has not filed an AIF.

Audit Committee Oversight

At no time since the commencement of the Issuer’s most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Issuer’s most recently completed financial year has the Issuer relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Issuer relies upon the exemption available to Venture Issuers in Section 6.1 of NI 52-110.

Pre-Approval Policies and Procedures

The audit committee is authorized by the Board to review the performance of the Issuer’s external auditors and approve in advance, provision of services other than auditing and to consider the independence of the external auditors.

External Auditor Service Fees

The aggregate fees billed by the Issuer’s external auditors in the last two fiscal years for audit service fees are as follows.

Financial Year Ending	Audit Fees (1)(4)	Audit Related Fees	Tax Fees (2)	All Other Fees
September 30, 2014	$17,000	Nil	$1,000	Nil
September 30, 2013(3)	$17,000	Nil	$1,000	Nil

(1) The aggregate fees billed for audit services of the parent company, THC BioMed Intl.
(2) The aggregate fees billed for tax compliance, tax advice, and tax planning services. These services involved the preparation of Canadian Corporation Income Tax Returns.
(3) 2013 audited by Crowe, MacKay, LLP.
(4) Does not include 2% paid to CPAB.

17. Risk Factors

The following are certain factors relating to the Issuer’s business which prospective investors should carefully consider before deciding whether to purchase Issuer Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Listing Statement. These risks and uncertainties are not the only ones the Issuer is facing.

Additional risk and uncertainties not presently known to us, or that the Issuer currently deems immaterial, may also impair the Issuer's operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Issuer's operations could be materially adversely affected.

Market Risk for Securities

There can be no assurance that an active trading market for the Issuer's common shares will be established and sustained. Upon listing, the market price for the Issuer's common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Products Under Development

Many of the Issuer's potential products and services are currently under development and there can be no assurance that these development efforts will result in viable products and services in the form that the Issuer has conceived, or at all.

Technology Risk

Many of the Issuer's potential products and services are expected to be dependent upon technologies which are susceptible to rapid technological change. There can be no assurance that the Issuer's products and services will not be seriously affected by, or become obsolete as a result of such technological changes.

No Operating History and No Assurance of Profitability

The Issuer is a start-up company in its current line of business and has not commenced operations or established brand recognition for its products and services. The Issuer is in the process of developing its products and services and has not entered the commercialization stage. The Issuer will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risks that it will be unable to establish a market for its products and services, achieve its growth objectives or become profitable. The Issuer anticipates that it may take several years to achieve positive cash flow from operations. There can be no assurance that there will be consumer demand for the Issuer's products or services or that the Issuer will become profitable.

Reliance on Licensing

Part of the Issuer's business plan, to grow, store and distribute medical marihuana in Canada, will depend on its success in acquiring an MMPR license. The Issuer cannot legally conduct a medical marihuana business without an MMPR licence from Health Canada, and there is significant time and cost required to obtain such a licence. Health Canada has received an estimated and approximate 700 Production License applications to date, the number of submissions continues to grow, and there are indications that the approval process is becoming elongated. For a list of companies that have been granted a licence, please see: www.hc-sc.gc.ca/dhp-mps/marihuana/info/list-eng.php. The Issuer may not obtain an MMPR License. There is no assurance that the Issuer will be successful in creating shareholder value only by announcing its intention and desire to obtain an MMPR License and taking steps towards doing so. If a license is obtained, any failure to comply with the terms of the License, or any failure to renew the License after its expiry date, would have a material adverse impact on the financial condition and operations of this aspect of the Issuer's business, operating as an MMPR Licensed Producer.

Change in Law, Regulations and Guidelines

The Issuer's business will be subject to particular laws, regulations, and guidelines. The production and distribution of medical marihuana is a highly regulated field, and although the Issuer intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change. On March 21, 2014, the Federal Court of Canada issued an order allowing certain individuals to continue under their MMAR licenses, thereby affecting the repeal of the MMAR. As of the date of this Listing Statement the Government of Canada has decided to appeal the order; however, it is unclear what a final ruling on this issue may be, and how it may affect the Issuer's business. It is possible that a ruling in favour of the original order could allow persons who had a license under the MMAR to opt out of the new MMPR regime, thereby decreasing the size of the market for the Issuer's business, and potentially materially and adversely affecting the Issuer's business, its financial condition and operations. A detailed description of this order can be found under "Section 4, Narrative Description of the Business – Legislative Changes".

Availability of Seed Supply and Skilled Labour

The Issuer's ability to commence and continue operations will be dependent on its ability to acquire starting materials. There are four legal sources of starting materials under the MMPR: Health Canada; Personal-Use Production License holders under the MMAR regime; Designated-Person Production License holders under the MMAR regime; and, importation. There is no guarantee that the Issuer will be able to acquire seeds from such sources. Further, the Issuer's ability to maintain operations will be dependent on access to skilled labour. There is no guarantee that the Issuer will be successful in maintaining its supply of skilled labour, and a failure to do so would limit the Issuer's ability to produce the predicted amounts of Product. This would have an adverse effect on the Issuer's operations and financial results.

Negative Publicity or Consumer Perception

The success of the medical marihuana industry may be significantly influenced by the public's perception of marihuana's medical applications. Medical marihuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marihuana will be favourable. The medical marihuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marihuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marihuana may have a material adverse effect on operational results, consumer base and financial results.

Transportation Risk

As a business revolving mainly around the growth of an agricultural product, the ability to obtain speedy, cost-effective and efficient transport services will be essential to the prolonged operations of the Issuer's business. If such transportation becomes unavailable for prolonged periods of time, there may be a material adverse effect on the Issuer's business, financial situation, and operations.

Agricultural Operations Risk

A portion of the Issuer's business will be the growth of medical marihuana, an agricultural product and the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Issuer expects to grow its medical marihuana in a climate controlled, monitored, indoor location, there is not guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on the Issuer's ability to produce medical marihuana.

Competitive Risk

Although the market for the Issuer's product does appear to be sizeable, the Issuer expects significant competition from other companies due to the recent nature of the MMPR regime. A large number of companies, possibly more than 700, appear to be applying to become MMPR Licensed Producers, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the medical marihuana market increase as projected, the demand for product will increase as well, and if the Issuer hopes to be competitive it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Issuer is not successful in achieving sufficient resources to invest in these areas, the Issuer's ability to compete in the market may be adversely affected, which could materially and adversely affect the Issuer's business, its financial condition and operations.

Marketing and Promotional Risk

The Issuer's future growth and profitability will depend on the effectiveness and efficiency of marketing and promotional costs, including the Issuer's ability to: (i) create brand recognition for our Products; (ii) determine appropriate marketing strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that marketing and promotional costs will result in revenues for the Issuer's business in the future, or will generate awareness of the Issuer's Products. In addition, no assurance can be given that the Issuer will be able to manage the Issuer's marketing and promotional costs on a cost-effective basis.

Intellectual Property

The Issuer intends to acquire patents, patents pending and other protections for its intellectual property where appropriate and commercially feasible. However, it cannot guarantee that such protection will be granted to the Issuer or that, if granted, such protection will be effective. Furthermore, the Issuer may not seek protection for certain intellectual property in cases where management determines that such protection is too costly in proportion to the potential benefit to the company.

Financial Liquidity

The Issuer has not yet generated revenue and will likely operate at a loss as it grows its clientele and develops its products and services. The Issuer will require additional financing in order to execute its business plan.

The Issuer’s ability to secure the financing it requires will depend in part upon on investor perception of the Issuer’s ability to create a successful business. Capital market conditions and other factors beyond its control may also play important roles in its ability to raise capital. The Issuer cannot offer any assurance that it will be able to successfully obtain additional financing, or that future financing will be possible on terms satisfactory to the Issuer’s management or shareholders. If the necessary funds are unavailable in the future, the Issuer may be required to cease operating or modify its business plans in a manner that undermines the Issuer’s ability to achieve its business objectives.

Financial Statements Prepared on Going Concern Basis

The Issuer’s financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Issuer’s future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of the Issuer’s industry. The Issuer cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objectives set forth internally or externally. Its consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Issuer be unable to continue as a going concern.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company’s legal and financial compliance costs. The Issuer may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Share Price Volatility and Speculative Nature of Share Ownership

The Issuer seeks to be listed for trading on the CSE and a successful listing would result in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Issuer may significantly influence the price at which the Issuer’s shares trade, and the volatility of the Issuer’s share price. Quarterly operating results and material developments reported by the Issuer can, and likely will, influence the price of the shares. Sentiment toward medical marihuana stocks as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Issuer’s shares. The Issuer is a new company in its industry and it is not generating revenue. It does not possess large cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Issuer’s shares. You may lose your entire investment.

Uninsured or Uninsurable Risk

The Issuer may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Issuer’s usual business activities. Payment of liabilities for which the Issuer does not carry insurance may have a material adverse effect on the Issuer’s financial position and operations.

Conflicts of Interest

Certain of the Issuer’s directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Issuer intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Issuer’s interests. In accordance with the BCBCA, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Issuer’s best interests. However, in conflict of interest situations, the Issuer’s directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Issuer.

Significant Ownership Interest of Management and Directors

As of the date of this Listing Statement, the Issuer’s officers and directors own approximately 68% of the issued and outstanding common shares on a fully diluted basis and hold a controlling interest as a group in the Issuer’s common stock. See “Section 13, Directors and Officers” for further details. As a result, these individuals, jointly, could exercise substantial control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership limits the power to exercise control by minority shareholders.

Key Personnel Risk

The Issuer’s success will depend on its directors and officers to develop its business and manage its operations, and on its ability to attract and retain key quality assurance, research and development, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Issuer’s business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact the Issuer’s operations.

Building Construction Risk

Since the Issuer has yet to build its second production facility, there may be unforeseeable events which could cause an increase in the projected buildings costs. Such an increase in costs may require the Issuer to re-allocate funds from other areas of its business, may require the Issuer to raise more funding than originally anticipated, and may delay the Issuer's ability to go into production. Such delay(s) may have a material adverse effect on the Issuer's business and its financial results.

Current Global Financial Condition

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Issuer will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Issuer is subject to liquidity risks in meeting its development and future operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Issuer's ability to raise equity or obtain loans and other credit facilities in the future and on favourable terms. If uncertain market conditions persist, the Issuer's ability to raise capital could be jeopardized, which could have an adverse impact on the Issuer's operations and the trading price of its common shares on the CSE.

No Prospect of Dividends

The Issuer has not paid dividends in the past and does not anticipate paying dividends in the near future. The Issuer expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Costs of Being a Publicly Traded Company

Securities legislation and the rules and policies of the Exchange require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which will significantly increase our legal and financial compliance costs.

18. Promoters

Other than as stated below, the Issuer has no promoters or investor relations representative and has not had such persons or activities for more than two years preceding the date of this Listing Statement. Directors and officers of the Issuer handle all queries from shareholders and potential shareholders.

The Issuer entered into an investor relations agreement with Star Finance GmgH and issued them 166,667 common share purchase options exercisable at $0.60 per share until April 10, 2016. The Issuer decided soon after granting the options to change its business plan to its current business plan and cancelled the investor relations plan with no fees paid; however, the stock options continued to vest. The Issuer believes that no investor relations activities were engaged in by Star Finance GmgH on behalf of the Issuer. Of the 166,667 options granted on April 10, 2014, 125,000 options have vested as at January 10, 2015.

19. Legal Proceedings

As of the date of this Listing Statement, other than as set out below, the Issuer is not a party to any material legal proceedings or any regulatory actions. The Issuer does not contemplate any material legal proceedings and is not aware of any material legal proceedings to be contemplated against it other than as set out below.

On April 16, 2015, Jacob Securities Inc. filed a Statement of Claim in the Ontario Superior Court of Justice claiming against the Issuer, THC Meds and THC BioMed Ltd. The Statement of Claim sets out claims for damages in the amount of $1,500,000 for breach of contract and/or unjust enrichment; punitive damages in the amount of $500,000, an interim, interlocutory and final order requiring the companies to issue to Jacob Securities broker warrants and common shares of the Issuer in accordance with the obligations set for in contractual agreements, pre-judgment and post-judgment interest and costs.

The Statement of Claim is in connection with two engagement letters: one between Jacob Securities and THC Meds Inc., dated April 25, 2014, and one between Jacob Securities and THC BioMed Ltd., dated May 7, 2014.

The Issuer was not a party to the engagement letters between its now wholly-owned subsidiaries and Jacob Securities Inc. THC Meds Inc. and THC BioMed Ltd. report that no consideration was provided by Jacob pursuant to the engagement letters and because of this and other reasons, no payment is due to Jacob Securities Inc.

The Issuer and its subsidiaries intend to use all available legal means to defend against these claims. The Issuer believes that it and its subsidiaries will be successful in defending against these claims. The Issuer further intends to seek costs from Jacob Securities in addition to such other remedies as may be available.

20. Interest of Management and Others in Material Transactions

No director, executive officer or principal shareholder, or an associate or affiliate of a director, executive officer or principal shareholder, has any material interest, direct or indirect, in any transactions that have occurred since the Issuer's inception, or in any proposed transaction that has materially affected or will materially affect the Issuer.

21. Auditors, Transfer Agents and Registrars

Auditors

The Issuer's auditors are Wolrige Mahon LLP, Chartered Accountants, 900-400 Burrard St., Vancouver B.C. V6C 3B7.

Transfer Agent and Registrar

The transfer agent and registrar of the Issuer's common shares is Computershare Investor Services Inc., 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

22. Material Contracts

The following table summarizes the material contracts entered into by the Issuer's predecessor entity that are in effect as of the date of this Listing Statement.

Name of Contract	Parties	Date	Nature of Contract and Consideration
Binding Letter of Intent	Canadian Mining Company Inc. and THC	April 16, 2014	On April 16, 2014, the Issuer announced that it had signed a binding Letter of Intent with Canadian

	BioMed Intl. Ltd.		Mining Company Inc., a public company listed on the TSXV, to test its zeolite-based fertilizer in the growing of medical marihuana. The MOU includes a statement of intent by the parties that the Issuer will receive an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton. B.C. Canadian Mining Company Inc. is involved in a project designed to develop zeolites as a nutrient input for hydroponic, aquaponic and soil crops, including marihuana.
Amended Promissory Note	Fast Marine Group Ltd. and THC BioMed Intl. Ltd.	August 13, 2014	Agreement in which the Issuer promises to pay Fast Marine, on or before April 15, 2016 (the "**Maturity Date**"), the sum of $107,363 together with simple interest thereon at the rate of 25 per cent per annum calculated from June 15, 2014.
Stock Restriction Agreement	Principals of the Issuer and THC BioMed Intl. Ltd.	January 22, 2015	This agreement requires principals of the Issuer to hold their shares in the Issuer until released, pursuant to a pre-set release schedule.
Contract for Services	BUA Capital Management Ltd. (1) and THC BioMed Intl. Ltd.	January 1, 2014	This agreement relates to the provision of consulting services to the Issuer.
Contract for Services	BUA Group Holdings Ltd. (1) and THC BioMed Intl. Ltd.	January 1, 2014	This agreement relates to the provision of administration services to the Issuer.
Lease	THC BioMed Ltd. (formerly THC Medical Systems Ltd.) and Sovereign Leasing Ltd.	October 31, 2013	This is a 36 month lease of high performance liquid chromatography equipment for the laboratory. There are monthly payments of $2,650.98, including tax.
Lease	THC BioMed Ltd. (formerly THC Medical Systems Ltd.) and Eagle Ridge Chevrolet Buick GMC Ltd.	September 3, 2013	Lease agreement for 36 months with monthly payments of $429.86, including tax, for a Toyota Matrix. A vehicle is to be available to the Quality Assurance person at all times to conduct their duties and in case of an emergency, as stipulated in the MMPR
Lease	THC BioMed Ltd. (formerly THC Medical Systems Ltd.) and Eagle Ridge Chevrolet Buick GMC Ltd.	October 1, 2015	Lease agreement for 36 months with monthly payments of $757.46, including tax, for a Toyota Venza. A vehicle is to be available to the Responsible Person In Charge at all times in case of an emergency, as stipulated in the MMPR
Mortgage	THC BioMed, as Mortgagee, and B.J and S.L. Hoedel, as Mortgagor	September 21, 2021; amended March 31, 2015	Principal amount of $255,000, monthly payments of $2,759.59, semi-annual interest of 5.5% to September 21, 2015 and 10% thereafter per annum. Maturity Date, August 21, 2018.
Mortgage	THC Meds, as Mortgagee, and B.J and S.L. Hoedel, as Mortgagor	September 30, 2014	Principal amount of $250,000, monthly payments of $2,655.67, semi-annual interest of 10% per annum. Maturity Date, October 2, 2017.
Promissory Note	THC BioMed and John Miller	January 31, 2015	Promissory Note for the principal amount of $90,377.38, with no payments due until December 31, 2016. Following December 31, 2016,in the event that the company fails to pay the full amount owing hereunder on the Maturity Date, the outstanding and unpaid amount will accrue 8 per cent per annum simple interest.
Introduction Fee	THC Meds and Cervus Business Management	April 22, 2014	Agreement for a finder's fee to be paid to Cervus by THC Meds for certain introductions to be made

Agreement			through Cervus.

(1) BUA Capital Management Ltd. and BUA Group Holdings Ltd. are controlled by Jason Walsh.

23. Interest of Experts

The persons or companies whose profession or business gives authority to a statement made by such person or company and who is named in this Listing Statement as having prepared or certified a part of this Listing Statement or a report or valuation described or included in this Listing Statement, are as follows:

(a) The audited financial statements of THC BioMed Intl. Ltd., THC BioMed Ltd. and THC Meds Inc. included in this Listing Statement have been included in reliance upon the reports of Wolrige Mahon LLP, Chartered Accountants, and upon the authority of such firm as experts in accounting and auditing.

Based on information provided by the relevant persons, none of those persons or companies or any director, officer, employee or partner thereof has received or will receive any direct or indirect interest in the Issuer's property or the property of any associate or affiliate of us, nor has any beneficial ownership, direct or indirect, in any securities issued by us. None of those persons is or is expected to be elected, appointed, or employed as a director or employee of us.

24. Other Material Facts

There are no other material facts other than as disclosed herein.

25. Financial Statements

The financial statements for THC BioMed Intl. Ltd., THC BioMed Ltd. and THC Meds Inc. are attached as schedules to this Listing Statement as follows:

Appendix "A"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Unaudited Financial Statements for the Three Months Ended December 31, 2014
Appendix "B"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2014
Appendix "C"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2013
Appendix "D"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2012
Appendix "E"	THC BioMed Intl. Ltd. (formerly Thelon Capital Ltd.) Audit Committee Charter
Appendix "F"	THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Audited Financial Statements for the year ended July 31, 2014
Appendix "G"	THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Unaudited Financial Statements for the Three Months Ended October 31, 2014
Appendix "H"	THC Meds Inc. Audited Financial Statements for the Year Ended July 31, 2014
Appendix "I"	THC Meds Inc. Unaudited Financial Statements for the Three Months Ended October 31, 2014

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, THC BioMed Intl. Ltd. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true, and plain disclosure of all material information relating to THC BioMed Intl. Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at the City of Vancouver, British Columbia,

This 28th day of April, 2015.

"John Miller"	***"Geoff Watson"***
JOHN MILLER	GEOFF WATSON
Director & President and Chief Executive Officer	Director & Chief Financial Officer
"Jason Walsh"	***"Hee Jung Chun"***
JASON WALSH	HEE JUNG CHUN
Director & Chairman	Director

APPENDIX "A"

THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) Unaudited Financial Statements for the Three Months Ended December 31, 2014

THELON CAPITAL LTD.

Condensed Interim Financial Statements

For the Three Months Ended December 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

THELON CAPITAL LTD.

Condensed Interim Financial Statements

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Thelon Capital Ltd. for the three months ended December 31, 2014 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim financial statements.

THELON CAPITAL LTD.

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

As at	(Unaudited) December 31 2014	(Audited) September 30 2014
Assets		
Current		
Cash	$ 285,797	$ 238,680
Amounts receivable	145	90
Goods and services tax receivable	5,088	6,077
Investments held for sale (note 4)	9,450	18,900
Advances to related parties (note 11)	101,132	90,132
Prepaid expenses and deposits (note 5)	42,903	237,903
	444,515	591,782
Non-current		
Equipment (note 6)	743	796
Mineral interests (note 7)	-	2,077
	743	2,873
	$ 445,258	$ 594,655
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 165,057	$ 168,723
Promissory notes payable (notes 8 and 11)	27,000	27,000
Advances from related parties (note 11)	100,010	272,879
	292,067	468,602
Long Term		
Promissory notes payable (notes 8 and 11)	361,437	180,944
	653,504	649,546
Shareholders' Equity (Deficiency)		
Share capital (note 9)	22,953,224	22,945,299
Reserves	738,250	731,000
Accumulated deficit	(23,899,720)	(23,731,190)
	(208,246)	(54,891)
	$ 445,258	$ 594,655

Nature and continuance of operations (note 1)
Subsequent events (note 15)

These condensed interim financial statements were authorized for issue by the Board of Directors on February 27, 2015. They are signed on the Company's behalf by:

"Jason Walsh" Director

"Geoff Watson" Director

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

THELON CAPITAL LTD.

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

	(Unaudited) For the quarter ended December 31 2014	December 31 2013
Administrative expenses		
Advertising and promotion	$ 21,603	$ 7,906
Bank charges and interest	5,594	7,637
Consulting (note 11)	31,600	39,500
Depreciation	53	73
Director fees (note 11)	-	6,000
Finance costs (note 8)	7,925	-
Legal and accounting	47,086	5,001
Office and administration (note 11)	13,813	15,216
Share-based compensation	7,250	-
Shareholder relations	52	-
Telephone	2,220	382
Transfer agent and exchange fees	1,313	4,806
Travel	18,328	490
Loss before other items	(156,837)	(87,011)
Other revenue (expense) items		
Accounts payable and accrued liabilities reversed	-	37,539
Foreign exchange loss	(1,221)	(353)
Gain on sale of investment	999	-
Gain on sale of mineral interest	57,923	-
Interest income	56	55
Unrealized gain (loss) on investments held for sale (note 4)	(9,450)	12,600
	48,307	49,841
Net and comprehensive loss for the period	$ (108,530)	$ (37,170)
Basic and diluted loss per share	$ (0.01)	$ (0.00)
Weighted average number of shares outstanding	18,698,374	15,537,050

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

THELON CAPITAL LTD.

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

				Reserves				
	Number of Shares	Share Capital	Share Subscriptions Receivable	Share-Based Payment Reserve	Warrant Reserve	Total	Deficit	(Unaudited) Total Equity
Balance at September 30, 2014	18,698,374	$ 22,945,299	$ -	$ 731,000	$ -	$ 731,000	$ (23,731,190)	$ (54,891)
Share-based compensation	-	-	-	7,250	-	7,250	-	7,250
Shares of subsidiary distributed to shareholders on a pro rata basis (note 7)	-	-	-	-	-	-	(60,000)	(60,000)
Shares to be issued	-	7,925	-	-	-	-	-	7,925
Loss for the period	-	-	-	-	-	-	(108,530)	(108,530)
Balance at December 31, 2014	**18,698,374**	**$ 22,953,224**	**$ -**	**$ 738,250**	**$ -**	**$ 738,250**	**$ (23,899,720)**	**$ (208,246)**
Balance at September 30, 2013	15,556,708	$ 22,052,799	$ (127,636)	$ -	$ -	$ -	$ (22,413,550)	$ (488,387)
Shares cancelled for non-payment	(25,000)	(37,500)	37,500	-	-	-	-	-
Subscriptions received	-	-	10,000	-	-	-	-	10,000
Loss for the period	-	-	-	-	-	-	(37,170)	(37,170)
Balance at December 31, 2013	15,531,708	$ 22,015,299	$ (80,136)	$ -	$ -	$ -	$ (22,450,720)	$ (515,557)

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

THELON CAPITAL LTD.

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

	(Unaudited) For the quarter ended December 31 2014	December 31 2013
Cash provided by (used for)		
Operating activities		
Net loss for the period	**$ (108,530)**	$ (37,170)
Add items not affecting cash		
Accounts payable and accrued liabilities reversed	**-**	(37,539)
Depreciation	**53**	73
Finance costs to be paid with shares	**7,925**	-
Foreign exchange loss	**1,221**	353
Gain on sale of investment	**(999)**	-
Gain on sale of mineral interest	**(57,923)**	-
Interest	**5,356**	-
Share-based compensation	**7,250**	-
Unrealized loss on investments held for sale	**9,450**	(12,600)
	(136,197)	(86,883)
Net change in non-cash working capital	**(9,433)**	(6,754)
	(145,630)	(93,637)
Financing activities		
Advances from related parties	**4,968**	33,344
Issuance (repayment) of promissory notes payable	**-**	(3,500)
Share subscriptions (receivable) received	**-**	10,000
	4,968	39,844
Investing activities		
Advances to related parties	**(11,000)**	17,169
Deposit returned	**200,000**	-
	189,000	17,169
Effect of foreign exchange translation on cash	**(1,221)**	(353)
Net increase (decrease) in cash	**47,117**	(36,977)
Cash, beginning of period	**238,680**	47,528
Cash, end of period	**$ 285,797**	$ 10,551

Supplemental cash flow disclosure (note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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 condensed interim financial statements have been adjusted to reflect the share consolidation on a retrospective basis.

The Company’s principal business activity is currently the acquisition and exploration of mineral properties.

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

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 or disposition thereof.

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. The Company will have an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia.

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 a 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.

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.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

These condensed interim 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 develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. These factors create material uncertainty that cast significant doubt about the Company being able to continue as a going concern. These condensed interim 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 14c.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

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.

b) Foreign currencies

i) Presentation and functional currency

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

ii) Foreign currency transactions

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.

2. BASIS OF PREPARATION (continued)

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 December 31, 2014, impairments of non-financial assets were $Nil (September 30, 2014 – $Nil).

(b) 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 statements 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).

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) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at December 31, 2014 and September 30, 2014, management had determined that no reclassification of mineral interests was required.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

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

(b) 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.

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. Investments held for sale are classified as a fair value through profit and loss financial asset.

(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, amounts receivable, advances to related parties, and deposits 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 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 liabilities 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 the statements 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, promissory notes payable, and advances from related parties 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment.

The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management’s estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Equipment

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

The cost of an item of equipment 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.

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

Furniture and fixtures	20%
Computer equipment	30%

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 plant 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.

e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 as determined by the current quoted trading price of the announcement date, 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. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Share-based compensation (continued)

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, 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.

j) 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.

k) Income taxes

Income tax on the profit or loss for the years 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

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

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.

l) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

m) 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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

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.

4. INVESTMENTS HELD FOR SALE

Number of Shares		December 31, 2014 Cost	FMV	September 30, 2014 Cost	FMV
315,000	Zadar Ventures Ltd.	**$ 81,900**	**$ 9,450**	$ 81,900	$ 18,900

On September 25, 2013, the Company sold its 18% interest in the Pasfield Lake property which was part of the Athabasca Basin property which was previously written down, to Zadar Ventures Ltd., a company with common directors, for gross proceeds of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. The 315,000 common shares of Zadar Ventures Ltd. were issued to the Company on October 2, 2013.

5. 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.

6. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at September 30, 2013	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2014	9,068	22,357	31,425
Additions	-	-	-
Balance at December 31, 2014	**$ 9,068**	**$ 22,357**	**$ 31,425**

(Expressed in Canadian Dollars)

6. EQUIPMENT (continued)

	Furniture and Fixtures	Computer Equipment	Total
Accumulated Depreciation			
Balance at September 30, 2013	$ 8,739	$ 21,596	$ 30,335
Depreciation for the year	66	228	294
Balance at September 30, 2014	8,805	21,824	30,629
Depreciation for the period	13	40	53
Balance at December 31, 2014	**$ 8,818**	**$ 21,864**	**$ 30,682**
Carrying Amounts			
At December 31, 2014	**$ 250**	**$ 493**	**$ 743**
At September 30, 2014	$ 263	$ 533	$ 796

7. MINERAL INTERESTS

	September 30 2013	Additions	September 30 2014	Disposals	**December 31 2014**
Acquistion costs					
Lac de Gras, Northwest Territories	$ -	$ -	$ -	$ -	**$ -**
Deferred exploration expeditures					
Lac de Gras, Northwest Territories	-	2,077	2,077	(2,077)	-
	$ -	$ 2,077	$ 2,077	$ (2,077)	**$** -

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

7. MINERAL INTERESTS (continued)

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 year ended September 30, 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.

8. PROMISSORY NOTES PAYABLE

The Company issued a promissory note in the principal amount of up to $155,000 on September 12, 2012 at 25% simple interest with the note and interest due on June 15, 2014. The Company agreed to also issue common shares in such number to have an aggregate value of $37,500 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. On August 12, 2014, the note was amended to $107,363 being the outstanding principal of $58,000 plus accrued interest to that date of $49,363. The amended promissory note is due on April 15, 2016 with simple interest at the rate of 25%. At December 31, 2014, accrued interest of $3,655 (September 30, 2014 - $1,231) is included in the amount of the promissory note payable.

The Company issued a promissory note in the principal amount of $12,700 on July 10, 2013 at 25% simple interest with the note and interest due on June 15, 2014. The Company agreed to also issue common shares in such number to have an aggregate value of $3,175 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. On October 2, 2014, the note was amended for up to $35,000. The amended promissory note bears is due on June 15, 2015 with simple interest at the rate of 25%. 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. At December 31, 2014, the principal amount borrowed against the note is $27,000 (September 30, 2014 - $27,000) and accrued interest of $6,387 (September 30, 2014 - $4,686) is included in accounts payable and accrued liabilities.

The Company issued a promissory note in the principal amount of up to $150,000 on December 31, 2014 to Bua Capital Management Ltd., a private company controlled by a director, Jason Walsh. The note is without interest and due on December 31, 2016. At December 31, 2014, $126,294 (September 30, 2014 – $Nil) is owed against the note.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES PAYABLE (continued)

The Company 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 Company issued a promissory note in the principal amount of $30,543 on December 31, 2014 to GRW Inc., a private company controlled by a director, Geoff Watson. The note is without interest and due on December 31, 2016.

The Company issued a promissory note in the principal amount of $20,000 on December 31, 2014 to International Ranger Corp., a public company with common directors. The note is without interest and due on December 31, 2016.

9. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at September 30, 2013	15,556,708	$	-	$	22,052,799
Shares cancelled for non-payment	(41,667)		1.50		(62,500)
Warrants exercised	3,183,333		0.30		955,000
Balance at September 30, 2014	18,698,374	$	-	$	22,945,299
Shares to be issued (note 8)	-		-		7,925
Balance at December 31, 2014	**18,698,374**	**$**	**-**	**$**	**22,953,224**

The Company 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 Condensed Interim Financial Statements have been adjusted to reflect the share consolidation on a retrospective basis.

On September 25, 2013, the Company closed a non-brokered private placement of 8,416,666 units at $0.03 per unit for gross proceeds of $252,500. Each unit consisted of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 25, 2016 at $0.30 per share until February 25, 2015 and at $0.60 during the remaining period. As the issue price of each unit was less than the market price of the Company's shares on the day of announcement, the full issue price was allocated to the common shares.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

a) Common shares (continued)

On October 26, 2011, 25,000 common shares were issued upon exercise of 25,000 warrants at $1.50. On December 17, 2013, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

On October 26, 2011, 16,667 common shares were issued upon exercise of 16,667 warrants at $1.50. On August 1, 2014, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

During the year ended September 30, 2014, 3,183,333 common shares were issued upon exercise of 3,183,333 warrants at $0.30.

On October 2, 2014, the Company amended a promissory note previously issued on July 10, 2013 for up to $35,000. The Company has agreed to 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.

b) Escrow shares

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

c) Warrants outstanding

	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 December 31, 2014	**5,233,333**	**$ 0.30**

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

(Expressed in Canadian Dollars)

10. SHARE-BASED COMPENSATION

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2013 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

The following summarizes the stock options outstanding:

	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 December 31, 2014	**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	1,500,001	1,583,334	$ 0.60

On April 10, 2014, the Company granted 1,583,334 stock options to certain officers, directors, and consultants of the Company to acquire 1,583,334 common shares of the Company at an exercise price of $0.60 per share, with an expiry date of April 10, 2016. All options vest immediately except for 166,667 options granted to Star Finance GmbH for investor relation services that will vest over a 12 month period. The 1,416,667 options have a fair value, calculated using the Black-Scholes option pricing model, of $709,422 or $0.50 per option, assuming an expected life of two years, a risk-free interest rate of 1.05%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 161%. The 166,667 options granted for investor relations have a fair value, calculated using the Black-Scholes option pricing model, of $27,453 of which $7,250 (September 30, 2014 - $21,578) has been expensed during the three months ended December 31, 2014. At December 31, 2014, 62,500 (September 30, 2014 – 41,667) options have vested.

11. RELATED PARTY TRANSACTIONS

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)

11. RELATED PARTY TRANSACTIONS (continued)

	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.

11. RELATED PARTY TRANSACTIONS (continued)

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.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

The Company operates in one industry segment in Canada, the junior natural resource – exploration industry.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the three months ended December 31, 2014 and 2013 were as follows:

	December 31 2014	December 31 2013
Shares to be issued for financing costs	**$ 7,925**	$ -
Income taxes paid	**$ -**	$ -
Interest paid	**$ 121**	$ 3
Interest received	**$ -**	$ -

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) 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.

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).

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

c) Financial risk management

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

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 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.

ii) 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 December 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.

(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 promissory notes bear interest at fixed rates.

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

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk (continued)

	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.

(c) 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.

(d) 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.

15. SUBSEQUENT EVENTS

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.

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

APPENDIX “B”

THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2014

THELON CAPITAL LTD.

Financial Statements

For the Year Ended September 30, 2014

(Expressed in Canadian Dollars)

THELON CAPITAL LTD.

Financial Statements

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

Independent Auditor's Report
To the Shareholders of Thelon Capital Ltd.

We have audited the accompanying financial statements of Thelon Capital Ltd. which comprise the statement of financial position as at September 30, 2014 and the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Thelon Capital Ltd. as at September 30, 2014 and its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Thelon Capital Ltd. to continue as a going concern.

Other matter
The financial statements of Thelon Capital Ltd. for the year ended September 30, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 28, 2014.

"Wolrige Mahon LLP"

Chartered Accountants
Vancouver, British Columbia
January 28, 2015

THELON CAPITAL LTD.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at		September 30 2014		September 30 2013
Assets				
Current				
Cash	$	238,680	$	47,528
Amounts receivable		90		90
Goods and services tax receivable		6,077		3,665
Investments held for sale (note 4)		18,900		-
Advances to related parties (note 11)		90,132		113,322
Prepaid expenses and deposits (note 5)		237,903		24,500
		591,782		189,105
Non-current				
Equipment (note 6)		796		1,090
Mineral interests (note 7)		2,077		-
		2,873		1,090
	$	594,655	$	190,195
Liabilities				
Current				
Accounts payable and accrued liabilities	$	168,723	$	327,480
Promissory notes payable (notes 8 and 11)		27,000		83,700
Advances from related parties (note 11)		272,879		267,402
		468,602		678,582
Long Term				
Promissory notes payable (notes 8 and 11)		180,944		-
		649,546		678,582
Shareholders' Equity (Deficiency)				
Share capital (note 9)		22,945,299		22,052,799
Share subscriptions receivable		-		(127,636)
Reserves		731,000		-
Accumulated deficit		(23,731,190)		(22,413,550)
		(54,891)		(488,387)
	$	594,655	$	190,195

Nature and continuance of operations (note 1)
Commitments (note 7)
Subsequent events (note 16)

These financial statements were authorized for issue by the Board of Directors on January 28, 2015. They are signed on the Company's behalf by:

"Jason Walsh" Director

"Geoff Watson" Director

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

THELON CAPITAL LTD.

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended			
		September 30 2014		September 30 2013
Administrative expenses				
Advertising and promotion	**$**	**127,813**	$	34,310
Bank charges and interest		**23,329**		48,459
Consulting (note 11)		**224,900**		139,150
Depreciation		**294**		409
Director fees (note 11)		**24,000**		24,000
Legal and accounting		**100,795**		80,359
Office and administration (note 11)		**66,091**		54,646
Share-based compensation (note 10)		**731,000**		-
Shareholder relations		**4,170**		4,643
Telephone		**2,793**		10,927
Transfer agent and exchange fees		**21,580**		16,634
Travel (note 11)		**49,077**		16,388
Loss before other items		**(1,375,842)**		(429,925)
Other revenue (expense) items				
Accounts payable and accrued liabilities reversed		**124,857**		-
Bad debt expense		**(1,500)**		-
Finance costs		**-**		(40,675)
Foreign exchange loss		**(2,431)**		(7,575)
Gain on sale of mineral interest		**-**		106,900
Interest income		**276**		217
Unrealized loss on investments held for sale (note 4)		**(63,000)**		-
		58,202		58,867
Net and comprehensive loss for the year	**$**	**(1,317,640)**	$	(371,058)
Basic and diluted loss per share	**$**	**(0.08)**	$	(0.05)
Weighted average number of shares outstanding		**17,253,443**		7,255,369

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

Statements of Changes in Equity
(Expressed in Canadian Dollars)

				Reserves				
	Number of Shares	Share Capital	Share Subscriptions Receivable	Share-Based Payment Reserve	Warrant Reserve	Total	Deficit	Total Equity
Balance at September 30, 2013	15,556,708	$ 22,052,799	$ (127,636)	$ -	$ -	$ -	$ (22,413,550)	$ (488,387)
Shares cancelled for non-payment	(41,667)	(62,500)	62,500	-	-	-	-	-
Warrants exercised	3,183,333	955,000	-	-	-	-	-	955,000
Share-based compensation	-	-	-	731,000	-	731,000	-	731,000
Subscriptions received	-	-	65,136	-	-	-	-	65,136
Loss for the year	-	-	-	-	-	-	(1,317,640)	(1,317,640)
Balance at September 30, 2014	**18,698,374**	**$ 22,945,299**	**$ -**	**$ 731,000**	**$ -**	**$ 731,000**	**$ (23,731,190)**	**$ (54,891)**
Balance at September 30, 2012	7,140,042	$ 21,759,624	$ (122,909)	$ 2,742,064	$ 440,078	$ 3,182,142	$ (25,224,634)	$ (405,777)
Shares issued for cash	8,416,666	252,500	(30,000)	-	-	-	-	222,500
Shares to be issued	-	40,675	-	-	-	-	-	40,675
Fair value of warrants and agent warrants expired	-	-	-	-	(440,078)	(440,078)	440,078	-
Fair value of stock options expired	-	-	-	(2,742,064)	-	(2,742,064)	2,742,064	-
Subscriptions received	-	-	25,273	-	-	-	-	25,273
Loss for the year	-	-	-	-	-	-	(371,058)	(371,058)
Balance at September 30, 2013	15,556,708	$ 22,052,799	$ (127,636)	$ -	$ -	$ -	$ (22,413,550)	$ (488,387)

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

THELON CAPITAL LTD.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30 2014	September 30 2013
Cash provided by (used for)		
Operating activities		
Net loss for the year	**$ (1,317,640)**	$ (371,058)
Add items not affecting cash		
Accounts payable and accrued liabilities reversed	**(124,857)**	-
Bad debt expense	**1,500**	-
Depreciation	**294**	409
Foreign exchange loss	**2,431**	7,575
Gain on sale of mineral property	**-**	(106,900)
Share-based compensation	**731,000**	-
Shares issued for finance costs	**-**	40,675
Unrealized loss on investments held for sale	**63,000**	-
	(644,272)	(429,299)
Net change in non-cash working capital	**12,179**	(2,206)
	(632,093)	(431,505)
Financing activities		
Advances from related parties	**5,477**	176,142
Issuance of shares for cash	**-**	252,500
Issuance of promissory notes payable	**72,350**	73,700
Warrants exercised for cash	**955,000**	-
Share subscriptions (receivable) received	**63,636**	(4,727)
	1,096,463	497,615
Investing activities		
Advances to related parties	**(83,710)**	(7,908)
Deposits paid	**(210,000)**	-
Mineral interests	**(2,077)**	-
Option payment received	**25,000**	6,000
	(270,787)	(1,908)
Effect of foreign exchange translation on cash	**(2,431)**	(7,575)
Net increase in cash	**191,152**	56,627
Cash, beginning of year	**47,528**	(9,099)
Cash, end of year	**$ 238,680**	$ 47,528

Supplemental cash flow disclosure (note 14)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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 is the acquisition and exploration of mineral properties.

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

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 or disposition thereof.

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. The Company will have an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia.

On May 13, 2014, the Company announced that it entered into a Memorandum of Understanding to purchase 100% of 8824479 Canada Inc., a private federal corporation. 8824479 Canada Inc. has the exclusive option to purchase a 30% interest in The Cannabinoid Medical Clinic, a series of clinics located in Ontario to provide medical marijuana prescriptions under the Marihuana for Medical Purposes Regulations.

Subsequent to the year end, the Company entered into a Plan of Arrangement on December 18, 2014 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 will then transfer its interest in a diamond mining joint venture with Peregrine Diamonds to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited.

Subsequent to the year end, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc., T.H.C. Medical Systems Ltd., (collectively the "Target Companies") and the shareholders of the Target Companies. Pursuant to the agreement, a total of 63,475,196 common shares are to be issued with 44,612,736 common shares of the Company issued at $0.045 per share to represent an approximate price of $2,007,572. An additional 6,498,950 common shares of the Company are to be issued in the event a license pursuant to Canada's *Marihuana for Medical Purposes Regulations* is received.

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 pursuant to the Share Exchange Agreement.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

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 develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration 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 15c.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Basis of presentation

These financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Foreign currencies

i) Presentation and functional currency

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

ii) Foreign currency transactions

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.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

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 year ended September 30, 2014, impairments of non-financial assets were $Nil (September 30, 2013 – $Nil).

(b) 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 year ended September 30, 2014, the Company recognized share-based compensation expense of $731,000 (September 30, 2013 - $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) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2014 and September 30, 2013, management had determined that no reclassification of mineral interests was required.

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) 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.

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. Investments in marketable securities are classified as a fair value through profit and loss financial asset.

(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, amounts receivable, advances to related parties, and deposits 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

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 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 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.

(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, promissory notes payable, and advances from related parties 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral interests (continued)

The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

d) Equipment

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

The cost of an item of equipment 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.

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

Furniture and fixtures	20%
Computer equipment	30%

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 plant 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) 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 as determined by the current quoted trading price of the announcement date, 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. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, 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.

j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Provisions (continued)

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.

k) Income taxes

Income tax on the profit or loss for the years 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 year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

m) 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.

4. INVESTMENTS HELD FOR SALE

Number of Shares		September 30, 2014 Cost	FMV	September 30, 2013 Cost	FMV
315,000	Zadar Ventures Ltd.	**$ 81,900**	**$ 18,900**	$ -	$ -

On September 25, 2013, the Company sold its 18% interest in the Pasfield Lake property which was part of the Athabasca Basin property which was previously written down, to Zadar Ventures Ltd., a company with common directors, for gross proceeds of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. The 315,000 common shares of Zadar Ventures Ltd. were issued to the Company on October 2, 2013.

(Expressed in Canadian Dollars)

5. DEPOSITS

a) Canadian Mining Company Inc.

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 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.

b) 8824478 Canada Inc.

On May 13, 2014, the Company announced that it entered into a Memorandum of Understanding to purchase 100% of 8824479 Canada Inc., a private federal corporation. 8824479 Canada Inc. has the exclusive option to purchase a 30% interest in the Cannabinoid Medical Clinic, a series of clinics located in Ontario to provide medical marijuana prescriptions under the Marihuana for Medical Purposes Regulations. The Company has advanced $200,000 to 8824479 Canada Inc. to secure a 45-day due diligence period before entering into a definitive agreement. Subsequent to the end of the year, the Company determined it would not proceed with the transaction (see Note 16).

6. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at September 30, 2012	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2013	9,068	22,357	31,425
Additions	-	-	-
Balance at September 30, 2014	**$ 9,068**	**$ 22,357**	**$ 31,425**
Accumulated Depreciation			
Balance at September 30, 2012	$ 8,656	$ 21,270	$ 29,926
Depreciation for the year	83	326	409
Balance at September 30, 2013	8,739	21,596	30,335
Depreciation for the year	66	228	294
Balance at September 30, 2014	**$ 8,805**	**$ 21,824**	**$ 30,629**
Carrying Amounts			
At September 30, 2013	$ 329	$ 761	$ 1,090
At September 30, 2014	**$ 263**	**$ 533**	**$ 796**

(Expressed in Canadian Dollars)

7. MINERAL INTERESTS

	September 30 2012 and 2013	Additions	**September 30 2014**
Acquistion costs			
Lac de Gras, Northwest Territories	$ -	$ -	**$ -**
Deferred exploration expeditures			
Lac de Gras, Northwest Territories	-	2,077	**2,077**
	$ -	$ 2,077	**$ 2,077**

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 year ended September 30, 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.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES PAYABLE

The Company issued a promissory note in the principal amount of up to $155,000 on September 12, 2012. The simple interest rate is 25%. The note and interest are due on June 15, 2014. The Company has agreed to also issue common shares in such number to have an aggregate value of $37,500 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. On August 12, 2014, the note was amended to $107,363 being the outstanding principal of $58,000 plus accrued interest to that date of $49,363. The amended promissory note is due on April 15, 2016 with simple interest at the rate of 25%. At September 30, 2014, accrued interest of $1,231 (September 30, 2013 - $35,599) is included in the amount of the promissory note payable.

The Company issued a promissory note in the principal amount of $12,700 on July 10, 2013. The simple interest rate is 25%. The note and interest are due on June 15, 2014. The Company has agreed to also issue common shares in such number to have an aggregate value of $3,175 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. The amount advanced was increased to $26,100 as at September 30, 2014. Accrued interest of $4,686 (September 30, 2013 - $684) is included in accounts payable and accrued liabilities. The Company issued a new promissory note subsequent to the year end (see Note 16).

The Company 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 September 30, 2014, $72,350 (September 30, 2013 – Nil) was owing against the note.

9. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number	Issued Price	Amount
Balance at September 30, 2012	7,140,042	$ -	$ 21,759,624
Shares issued for cash	8,416,666	0.03	252,500
Shares to be issued	-	-	40,675
Balance at September 30, 2013	15,556,708	-	22,052,799
Shares cancelled for non-payment	(41,667)	1.50	(62,500)
Warrants exercised	3,183,333	0.30	955,000
Balance at September 30, 2014	**18,698,374**	**$ -**	**$ 22,945,299**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

a) Common shares (continued)

The Company 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.

On September 25, 2013, the Company closed a non-brokered private placement of 8,416,666 units at $0.03 per unit for gross proceeds of $252,500. Each unit consisted of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 25, 2016 at $0.30 per share until February 25, 2015 and at $0.60 during the remaining period. As the issue price of each unit was less than the market price of the Company's shares on the day of announcement, the full issue price was allocated to the common shares.

On October 26, 2011, 25,000 common shares were issued upon exercise of 25,000 warrants at $1.50. On December 17, 2013, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

On October 26, 2011, 16,667 common shares were issued upon exercise of 16,667 warrants at $1.50. On August 1, 2014, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

During the year ended September 30, 2014, 3,183,333 common shares were issued upon exercise of 3,183,333 warrants at $0.30.

b) Escrow shares

Currently 4,167 shares (September 30, 2013 – 4,167) are held in escrow.

c) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2012	2,308,759	$ 5.10
Warrants expired	(2,308,759)	5.10
Warrants issued	8,416,666	0.30
Balance at September 30, 2013	8,416,666	0.30
Warrants exercised	(3,183,333)	0.30
Balance at September 30, 2014	**5,233,333**	**$ 0.30**

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

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Agent warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at September 30, 2012	169,462	$	4.92
Agent warrants expired	(169,462)		4.92
Balance at September 30, 2013 and September 30, 2014	**-**	**$**	**-**

10. SHARE-BASED COMPENSATION

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2013 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

The following summarizes the stock options outstanding at September 30, 2014:

	Number of Options		Weighted Average Exercise Price
Balance at September 30, 2012	423,333	$	2.10
Options expired	(423,333)		2.10
Balance at September 30, 2013	-		-
Options granted	1,583,334		0.60
Balance at September 30, 2014	**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	1,458,334	1,583,334	$	0.60

(Expressed in Canadian Dollars)

10. SHARE-BASED COMPENSATION (continued)

On April 10, 2014, the Company granted 1,583,334 stock options to certain officers, directors, and consultants of the Company to acquire 1,583,334 common shares of the Company at an exercise price of $0.60 per share, with an expiry date of April 10, 2016. All options vest immediately except for 166,667 options granted to Star Finance GmbH for investor relation services that will vest over a 12 month period. The 1,416,667 options have a fair value, calculated using the Black-Scholes option pricing model, of $709,422 or $0.50 per option, assuming an expected life of two years, a risk-free interest rate of 1.05%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 161%. The 166,667 options granted for investor relations have a fair value, calculated using the Black-Scholes option pricing model, of $27,453 of which $21,578 has been expensed during the year ended September 30, 2014. At September 30, 2014, 41,667 options have vested.

11. RELATED PARTY TRANSACTIONS

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 year ended September 30, 2014 and 2013:

	Consulting	Director Fees	Office and Administration	Travel	September 30, 2014 Total
BUA Capital Management Ltd.	$ 90,000	$ -	$ -	$ -	$ 90,000
BUA Group Holdings Ltd.	-	-	55,950	-	55,950
Geoff Watson	-	12,000	-	-	12,000
GRW Inc.	36,000	-	-	-	36,000
Hardcastle Capital Partners Corp.	45,500	-	-	-	45,500
Jason Walsh	-	12,000	-	12,400	24,400
	$ 171,500	**$ 24,000**	**$ 55,950**	**$ 12,400**	**$ 263,850**

	Consulting	Director Fees	Office and Administration		September 30, 2013 Total
BUA Capital Management Ltd.	$ 90,000	$ -	$ -	$ -	$ 90,000
BUA Group Holdings Ltd.	-	-	49,200	-	49,200
Geoff Watson	-	12,000	-	-	12,000
GRW Inc.	36,000	-	-	-	36,000
Jason Walsh	-	12,000	-	-	12,000
	$ 126,000	$ 24,000	$ 49,200	$ -	$ 199,200

11. RELATED PARTY TRANSACTIONS (continued)

BUA Capital Management Ltd. provides consulting services to the Company and is a private company controlled by a director, Jason Walsh. At September 30, 2014, the Company owed $125,543 (September 30, 2013 - $80,651) to BUA Capital Management Ltd. which is included in amounts due to related parties.

BUA Group Holdings Ltd. provides administration services to the Company and is a private company controlled by a director, Jason Walsh. At September 30, 2014, the Company owed $Nil (September 30, 2013 - $10,235) to BUA Group Holdings Ltd. which is included in amounts due to related parties.

Geoff Watson is the Chief Financial Officer and a director of the Company. At September 30, 2014, the Company owed him $26,000 (September 30, 2013 - $14,000) 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 September 30, 2014, the Company owed GRW Inc. $30,543 (September 30, 2013 – $18,901) which is included in amounts due to related parties.

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. At September 30, 2014, the Company owed Hardcastle Capital Partners Corp. $13,000 (September 30, 2013 – $Nil) which is included in amounts due to related parties.

Jason Walsh is a director of the Company. At September 30, 2014, the Company owed him $24,403 (September 30, 2013 – $28,170) which is included in the amounts due to related parties. Mr. Walsh is also owed $25,000 (September 30, 2013 – $13,000) for unpaid director fees which is included in amounts due to related parties.

At September 30, 2014, the Company owed $72,350 (September 30, 2013 - $74,360) to Thelon Diamond Company Limited, a private company with common directors controlled by Jason Walsh, which is included in long term promissory notes payable.

At September 30, 2014, the Company owed $20,000 (September 30, 2013 – $20,000) to International Ranger Corp., a public company with common directors, which is included in amounts due to related parties.

At September 30, 2014, the Company owed $4,373 (September 30, 2013 – $4,373) to Scout Exploration Inc., a public company with common directors, which is included in amounts due to related parties.

At September 30, 2014, the Company owed $4,017 (September 30, 2013 - $Nil) to Mark Tommasi, a director, for reimbursement of expenses.

At September 30, 2014, the Company was owed $79,377 (September 30, 2013 - $108,567) from Zadar Ventures Ltd., a public company with common directors. On September 25, 2013, the Company sold its 18% interest in the Pasfield Lake property which was part of the Athabasca Basin property which was previously written off, to Zadar Ventures Ltd. for gross proceeds of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. The 315,000 common shares of Zadar Ventures Ltd. were issued to the Company on October 2, 2013 which reduced the amount owed to the Company. The amount is included in amounts due from related parties.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

At September 30, 2014, the Company was owed $302 (September 30, 2013 - $302) from United Zeolite Ltd., a private company with common directors. The amount is included in amounts due from related parties.

At September 30, 2014, the Company was owed $10,453 (September 30, 2013 - $4,453) from 1177129 Alberta Ltd., a private company controlled by the President 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.

12. SEGMENTED INFORMATION

The Company operates in one industry segment in Canada, the junior natural resource – exploration industry.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	September 30 2014	September 30 2013
Loss before income taxes	**$ (1,317,640)**	$ (371,058)
Statutory Canadian corporate tax rate	**26.00%**	25.50%
Income tax recovery at statutory rates	**$ (342,586)**	$ (94,620)
Non-deductible items for tax purposes	**199,366**	4,280
Adjustments to deferred tax assets and liabilities for substantively enacted changes in tax laws and rates	**-**	(215,246)
Loss carryforwards expired	**93,179**	
Tax benefits not recognized	**50,041**	305,586
	$ -	$ -

(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

		September 30 2014		September 30 2013
Deferred income tax assets				
Equipment	**$**	**7,265**	$	7,188
Marketable securities		**8,190**		-
Mineral interests		**3,907,102**		3,907,102
Share issuance costs		**36,530**		74,223
Net capital losses available		**41,408**		41,408
Non-capital losses available for future years		**1,716,566**		1,612,527
		5,717,061		5,642,448
Tax benefits not recognzied		**(5,717,061)**		(5,642,448)
	$	**-**	$	-

At September 30, 2014 the Company has non-capital tax losses of approximately $6,602,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date		Amount
2015	**$**	**261,000**
2026		**598,000**
2027		**870,000**
2028		**518,000**
2029		**314,000**
2030		**590,000**
2031		**1,396,000**
2032		**691,000**
2033		**606,000**
2034		**758,000**
	$	**6,602,000**

The Company also has capital losses of approximately $318,521 available to reduce future years' income taxes. In addition the Company has available mineral resource related expenditure pools totaling approximately $15,027,000 which may be deducted against future taxable income on a discretionary basis.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the year ended September 30, 2014 and 2013 were as follows:

		September 30 2014		September 30 2013
Common shares to be issued for finance costs (notes 7 and 8)	**$**	**-**	$	40,675
Fair value of stock options expired	**$**	**-**	$	2,742,064
Fair value of warrants and agent warrants expired	**$**	**-**	$	440,078
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**3,226**	$	1,222
Interest received	**$**	**185**	$	199
Mineral interest expenses included in accounts payable and accrued liabilities	**$**	**34,805**	$	65,365

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) 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.

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).

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

c) Financial risk management

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

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 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.

ii) 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.

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.

(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 promissory notes bear interest at fixed rates.

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

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk (continued)

		September 30 2014 USD		September 30 2013 USD
Accounts payable and accrued liabilities	**$**	**31,054**	$	96,057

At September 30, 2014, financial instruments were converted at a rate of $1.00 Canadian to US$1.1208.

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.

(c) 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.

(d) 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.

16. SUBSEQUENT EVENTS

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.

16. SUBSEQUENT EVENTS (continued)

Subsequent to the year end, management decided not to proceed with the transaction with 8824479 Canada Inc. and the deposit of $200,000 was returned on October 23, 2014.

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 will then transfer its interest in a diamond mining joint venture with Peregrine Diamonds to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited.

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc., T.H.C. Medical Systems Ltd., (collectively the “Target Companies”) and the shareholders of the Target Companies. Pursuant to the agreement, a total of up to 63,475,196 common shares are to be issued. 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. On January 22, 2015, an additional 12,363,510 common shares of the Company were issued at $0.045 to represent an approximate price of $556,358 pursuant to the Share Exchange Agreement. An additional 6,498,950 common shares of the Company are to be issued in the event a license pursuant to Canada’s *Marihuana for Medical Purposes Regulations* (“MMPR”) is received.

APPENDIX “C”

THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2013

THELON CAPITAL LTD.

Financial Statements

For the Year Ended September 30, 2013

(Expressed in Canadian Dollars)

Financial Statements

For the Year Ended September 30, 2013	Page

Crowe MacKay LLP
Member Crowe Horwath International
1100, 1177 West Hastings Street
Vancouver, BC V6E 4T5
+1.604.687.4511 Tel
+1.604.687.5805 Fax
+1.800.351.0426 Toll Free
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of
Thelon Capital Ltd.

We have audited the accompanying financial statements of Thelon Capital Ltd., which comprise the statements of financial position as at September 30, 2013 and September 30, 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Thelon Capital Ltd. as at September 30, 2013 and September 30, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Thelon Capital Ltd. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
January 28, 2014

THELON CAPITAL LTD.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	September 30 2013	September 30 2012
Assets		
Current		
Cash	**$ 47,528**	$ -
Amounts receivable	**90**	444
Goods and services tax receivable	**3,665**	11,304
Advances to related parties (note 9)	**113,322**	4,514
Prepaid expenses	**24,500**	25,600
	189,105	41,862
Non-current		
Equipment (note 4)	**1,090**	1,499
	$ 190,195	$ 43,361
Liabilities		
Current		
Cheques written in excess of bank balance	**$ -**	$ 9,099
Accounts payable and accrued liabilities	**327,480**	338,779
Promissory notes payable (note 6)	**83,700**	10,000
Advances from related parties (note 9)	**267,402**	91,260
	678,582	449,138
Shareholders' Equity		
Share capital (note 7)	**22,052,799**	21,759,624
Share subscriptions receivable	**(127,636)**	(122,909)
Reserves	**-**	3,182,142
Accumulated deficit	**(22,413,550)**	(25,224,634)
	(488,387)	(405,777)
	$ 190,195	$ 43,361

Nature and continuance of operations (note 1)
Subsequent events (note 14)

These financial statements were authorized for issue by the Board of Directors on January 28, 2014. They are signed on the Company's behalf by:

"Jason Walsh" Director

"Geoff Watson" Director

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

THELON CAPITAL LTD.

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended September 30 2013	September 30 2012
Administrative expenses		
Advertising and promotion	**$ 34,310**	$ 64,079
Bank charges and interest	**48,459**	4,340
Consulting (note 9)	**139,150**	209,400
Depreciation	**409**	569
Director fees (note 9)	**24,000**	24,000
Legal and accounting	**80,359**	82,191
Office and administration (note 9)	**54,646**	65,458
Share-based compensation (reversal) (note 8)	**-**	(1,812)
Shareholder relations	**4,643**	49,195
Telephone	**10,927**	14,784
Transfer agent and exchange fees	**16,634**	21,286
Travel	**16,388**	42,975
Loss before other items	**(429,925)**	(576,465)
Other items		
Finance costs (note 6)	**(40,675)**	-
Foreign exchange gain (loss)	**(7,575)**	6,609
Impairment of mineral interest (note 5)	**-**	(5,819,820)
Other income	**217**	221
Gain on sale of mineral interest (note 9)	**106,900**	-
Write off of deposit on option to purchase	**-**	(1,725,061)
	58,867	(7,538,051)
Net and comprehensive loss for the year	**$ (371,058)**	$ (8,114,516)
Basic and diluted loss per share	**$ (0.01)**	$ (0.19)
Weighted average number of shares outstanding	**43,532,212**	42,805,883

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

THELON CAPITAL LTD.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

				Reserves				
	Number of Shares	Share Capital	Share Subscriptions Receivable	Share-Based Payment Reserve	Warrant Reserve	Total	Deficit	Total Equity
Balance at September 30, 2011	42,378,431	$ 21,642,026	$ (60,409)	$ 2,837,251	$ 442,176	$ 3,279,427	$ (17,203,493)	$ 7,657,551
Warrants exercised	450,000	112,500	(62,500)	-	-	-	-	50,000
Agents warrants exercised	12,000	3,000	-	-	-	-	-	3,000
Fair value of agents warrants exercised	-	2,098	-	-	(2,098)	(2,098)	-	-
Fair value of stock options expired	-	-	-	(93,375)	-	(93,375)	93,375	-
Share-based compensation reversed	-	-	-	(1,812)	-	(1,812)	-	(1,812)
Loss for the year	-	-	-	-	-	-	(8,114,516)	(8,114,516)
Balance at September 30, 2012	42,840,431	$ 21,759,624	$ (122,909)	$ 2,742,064	$ 440,078	$ 3,182,142	$ (25,224,634)	$ (405,777)
Balance at September 30, 2012	42,840,431	$ 21,759,624	$ (122,909)	$ 2,742,064	$ 440,078	$ 3,182,142	$ (25,224,634)	$ (405,777)
Shares issued for cash	50,500,000	252,500	(30,000)	-	-	-	-	222,500
Shares to be issued	-	40,675	-	-	-	-	-	40,675
Fair value of warrants and agent warrants expired	-	-	-	-	(440,078)	(440,078)	440,078	-
Fair value of stock options expired	-	-	-	(2,742,064)	-	(2,742,064)	2,742,064	-
Subscriptions received	-	-	25,273	-	-	-	-	25,273
Loss for the year	-	-	-	-	-	-	(371,058)	(371,058)
Balance at September 30, 2013	**93,340,431**	**$ 22,052,799**	**$ (127,636)**	**$ -**	**$ -**	**$ -**	**$ (22,413,550)**	**$ (488,387)**

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

THELON CAPITAL LTD.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30 2013	September 30 2012
Cash provided by (used for)		
Operating activities		
Net loss for the year	**$ (371,058)**	$ (8,114,516)
Add items not affecting cash		
Depreciation	**409**	569
Foreign exchange gain (loss)	**7,575**	(6,609)
Gain on sale of mineral property	**(106,900)**	-
Impairment of mineral interest	**-**	5,819,820
Share-based compensation (reversal)	**-**	(1,812)
Shares issued for finance costs	**40,675**	-
Write off of deposit on option to purchase	**-**	1,725,061
	(429,299)	(577,487)
Net change in non-cash working capital	**(2,206)**	104,031
	(431,505)	(473,456)
Financing activities		
Advances from related parties	**176,142**	52,942
Issuance of shares for cash	**252,500**	53,000
Promissory notes payable	**73,700**	10,000
Share subscriptions receivable (received)	**(4,727)**	-
	497,615	115,942
Investing activities		
Acquisition of mineral interests	**-**	(103,802)
Advances to related parties	**(7,908)**	54,825
Deposit on option to purchase	**-**	(37,767)
Option payment received	**6,000**	-
	(1,908)	(86,744)
Effect of foreign exchange translation on cash	**(7,575)**	6,609
Net increase (decrease) in cash	**56,627**	(437,649)
Cash (cheques written in excess of bank balance), beginning of year	**(9,099)**	428,550
Cash (cheques written in excess of bank balance), end of year	**$ 47,528**	$ (9,099)

Supplemental cash flow disclosure (note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Capital Ltd. (the "Company") is a public company incorporated under the Company Act of British Columbia on February 2, 1982. Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 under the trading symbol "THC" and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company's principal business activity is the acquisition and exploration of mineral properties.

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

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 or disposition thereof.

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 develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. These factors 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 13c.

Management is also aware that material uncertainties exist related to current economic conditions which could adversely affect the Company's ability to continue to finance its activities. The Company intends to continue pursuing additional sources of financing through equity offerings to finance its operations and exploration activities. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities, and the classifications used on the statements of financial position. In assessing whether the going concern assumption is appropriate, management is aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as explained above. Since the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Foreign currencies

i) Presentation and functional currency

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

ii) Foreign currency transactions

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 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 year ended September 30, 2013, impairments of non-financial assets were $Nil (September 30, 2012 – $7,544,881).

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

i) Critical accounting estimates (continued)

(b) Useful life of equipment

Equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of equipment at September 30, 2013 was $1,090 (September 30, 2012 - $1,499).

(c) 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 year ended September 30, 2013, the Company recognized share-based compensation expense (reversal) of $Nil (September 30, 2012 - $(1,812)).

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) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2013 and September 30, 2012, management had determined that no reclassification of mineral interests was required.

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) 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.

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 financial 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 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, and advances to related parties 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. 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 financial assets as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

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 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 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.

(b) Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost. The Company has classified cheques issued in excess of bank balance, accounts payable and accrued liabilities, promissory notes payable, and advances from related parties 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

d) Property, plant, and equipment

Property, plant, and equipment ("PPE") is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE 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, plant, and equipment are depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Furniture and fixtures	20%
Computer equipment	30%

An item of PPE 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant, and equipment (continued)

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant 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.

e) Impairment

At each financial position reporting date, the carrying amounts of the Company's 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.

f) 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 as determined by the current quoted trading price of the announcement date, and the balance, if any, to the reserve for the warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital (continued)

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. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, 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.

j) 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.

k) Income taxes

Income tax on the profit or loss for the years 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 year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

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.

l) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

m) New accounting standards and interpretations not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company:

i) 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, 2015, 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.

ii) IFRS 10 *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

ii) IFRS 10 *Consolidated Financial Statements* (continued)

IFRS 10 replaces *Standing Interpretations Committee 12 Consolidation – Special Purpose Entities* (SIC 12) and IAS 27 *Consolidated and Separate Financial Statements* (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's financial statements.

iii) IFRS 12 *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's financial statements.

iv) IFRS *13 Fair Value Measurement*

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement* (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value, and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

v) Other

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*, with revised requirements for pensions and other postretirement benefits, termination benefits, and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

v) Other (continued)

In May 2011, the IASB reissued IAS 27 *Separate Financial Statements*. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued amendments to IAS 28 *Investments in Associates and Joint Ventures*. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. IAS 28 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 *Stripping Costs* in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

4. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at September 30, 2011	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2012	9,068	22,357	31,425
Additions	-	-	-
Balance at September 30, 2013	**$ 9,068**	**$ 22,357**	**$ 31,425**
Accumulated Depreciation			
Balance at September 30, 2011	$ 8,553	$ 20,804	$ 29,357
Depreciation for the year	103	466	569
Balance at September 30, 2012	8,656	21,270	29,926
Depreciation for the year	83	326	409
Balance at September 30, 2013	**$ 8,739**	**$ 21,596**	**$ 30,335**
Carrying Amounts			
At September 30, 2012	$ 412	$ 1,087	$ 1,499
At September 30, 2013	**$ 329**	**$ 761**	**$ 1,090**

(Expressed in Canadian Dollars)

5. MINERAL INTERESTS

		Jellico Project (US)
Balance at September 30, 2011	$	5,777,664
Acquisition costs		42,156
Impairment of mineral interest		(5,819,820)
Balance at September 30, 2012 and 2013	**$**	**-**

a) Jellico Project

On May 27, 2010, the Company entered into a Letter of Agreement to acquire 100% of the Jellico Coal Property which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee.

The Company entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company who owns 100% of the Jellico Coal property. The purchase price is:

- 7,000,000 common shares (issued);
- US$1,000,000 (paid) on signing;
- US$3,000,000 (US$2,736,374 paid) due December 15, 2011;
- take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and
- issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing.

A bonus of $50,000 was paid to a company controlled by a director on this transaction. This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

At September 30, 2012, the Company was unable to make the required payments to close the transaction. Although the vendor has not demanded payment, a written extension has not been received; therefore, at September 30, 2012, the Company recorded an impairment of $5,819,820 against the accumulated costs to reflect the uncertainty around completion of the acquisition.

6. PROMISSORY NOTES PAYABLE

The Company issued a promissory note in the principal amount of up to $155,000 on September 12, 2012. The interest rate is 25% per annum and due on June 15, 2014. The Company has agreed to also issue common shares in such number to have an aggregate value of $37,500 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. At September 30, 2013, $71,000 (September 30, 2012 - $10,000) was drawn upon. Accrued interest of $35,599 (September 30, 2012 - $123) is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

6. PROMISSORY NOTES PAYABLE (continued)

The Company issued a promissory note in the principal amount of $12,700 on July 10, 2013. The interest rate is 25% per annum and due on June 15, 2014. The Company has agreed to also issue common shares in such number to have an aggregate value of $3,175 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. Accrued interest of $684 is included in accounts payable and accrued liabilities.

7. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at September 30, 2011	42,378,431	$	-	$	21,642,026
Warrants exercised	450,000	$	0.250		112,500
Agents warrants exercised	12,000	$	0.250		3,000
Reallocation from warrants	-	$	-		2,098
Balance at September 30, 2012	42,840,431	$	-		21,759,624
Shares issued for cash	50,500,000	$	0.005		252,500
Share to be issued (note 6)	-	$	-		40,675
Balance at September 30, 2013	**93,340,431**			**$**	**22,052,799**

On September 25, 2013, the Company closed a non-brokered private placement of 50,500,000 units at $0.005 per unit for gross proceeds of $252,500. Each unit consisted of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 25, 2016 at $0.05 per share for the first year and at $0.10 during the second and third year. As the issue price of each unit was less than the market price of the Company's shares on the day of announcement, the full issue price was allocated to the common shares.

b) Escrow shares

Currently 4,167 shares (September 30, 2012 – 4,167) are held in escrow.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at September 30, 2011	14,960,554	$	0.89
Warrants exercised	(450,000)	$	0.25
Warrants expired	(658,000)	$	0.30
Balance at September 30, 2012	13,852,554	$	0.85
Warrants expired	(13,852,554)	$	0.85
Warrants issued	50,500,000	$	0.05
Balance at September 30, 2013	**50,500,000**	**$**	**0.05**

Expiy Date	Number of Warrants	Exercise Price
September 25, 2016	50,500,000	$0.05/$0.10/$0.10

d) Agents warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at September 30, 2011	1,028,770	$	0.90
Agent warrants exercised	(12,000)	$	0.25
Balance at September 30, 2012	1,016,770	$	0.82
Agent warrants expired	(1,016,770)	$	0.82
Balance at September 30, 2013	**-**	**$**	**-**

8. SHARE-BASED COMPENSATION

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2012 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

(Expressed in Canadian Dollars)

8. SHARE-BASED COMPENSATION (continued)

The following summarizes the stock options outstanding and exercisable at September 30, 2013:

	Number of Options	Weighted Average Exercise Price
Balance at September 30, 2011	3,162,500	$ 0.35
Options expired	(622,500)	$ 0.20
Balance at September 30, 2012	2,540,000	$ 0.35
Options expired	(2,540,000)	$ 0.35
Balance at September 30, 2013	**-**	**$ -**

9. RELATED PARTY TRANSACTIONS

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 years ended September 30, 2013 and 2012:

	Consulting	Director Fees	Office and Administration	Travel	September 30, 2013 Total
BUA Capital Management Ltd.	$ 90,000	$ -	$ -	$ -	$ 90,000
BUA Group Holdings Ltd.	-	-	49,200	-	49,200
Geoff Watson	-	12,000	-	-	12,000
GRW Inc. (formerly Complete Communications Inc.)	36,000	-	-	-	36,000
Jason Walsh	-	12,000	-	-	12,000
	$ 126,000	**$ 24,000**	**$ 49,200**	**$ -**	**$ 199,200**

	Consulting	Director Fees	Office and Administration	Travel	September 30, 2012 Total
BUA Capital Management Ltd.	$ 81,000	$ -	$ -	$ 11,100	$ 92,100
BUA Group Holdings Ltd.	-	-	59,560	-	59,560
Geoff Watson	-	12,000	-	-	12,000
GRW Inc. (formerly Complete Communications Inc.)	37,000	-	-	-	37,000
Jason Walsh	-	12,000	-	-	12,000
	$ 118,000	$ 24,000	$ 59,560	$ 11,100	$ 212,660

BUA Capital Management Ltd. provides consulting services to the Company and is a private company controlled by the President of the Company, Jason Walsh. At September 30, 2013, the Company owed $80,651 (September 30, 2012 - $8,348) to BUA Capital Management Ltd. which is included in amounts due to related parties.

BUA Group Holdings Ltd. provides administration services to the Company and is a private company controlled by the President of the Company, Jason Walsh. At September 30, 2013, the Company owed $10,235 (September 30, 2012 - $4,514) to BUA Group Holdings Ltd. which is included in amounts due to related parties.

9. RELATED PARTY TRANSACTIONS (continued)

Geoff Watson is the Chief Financial Officer of the Company and at September 30, 2013, the Company owed him $14,000 (September 30, 2012 - $1,000) for unpaid director fees which is included in accounts payable and accrued liabilities.

GRW Inc. (formerly Complete Communications Inc.) provides consulting services to the Company is a private company controlled by the Chief Financial Officer, Geoff Watson. At September 30, 2013, the Company owed GRW Inc. $18,901 (September 30, 2012 – $Nil) which is included in amounts due to related parties.

Jason Walsh is the President of the Company and at September 30, 2013, the Company owed him $28,170 (September 30, 2012 – $26,504) which is included in the amounts due to related parties. Mr. Walsh is also owed $13,000 (September 30, 2012 – $1,000) for unpaid director fees which is included in accounts payable and accrued liabilities.

Williams Cousins is a director of the Company at and September 30, 2013, the Company owed him $3,712 (September 30, 2012 – $(5,273)) which is included in amounts due to related parties.

At September 30, 2013, the Company owed $74,360 (September 30, 2012 - $61,000) to Thelon Diamond Company Limited, a private company with common directors controlled by Jason Walsh.

At September 30, 2013, the Company owed $20,000 (September 30, 2012 – $Nil) to International Ranger Corp., a public company with common directors.

At September 30, 2013, the Company owed $4,373 (September 30, 2012 – $Nil) to Scout Exploration Inc., a public company with common directors.

At September 30, 2013, the Company was owed $108,567 (September 30, 2012 - $(21,749)) from Zadar Ventures Ltd., a public company with common directors. On September 25, 2013, the Company sold its 18% interest in the Pasfield Lake property which was part of the Athabasca Basin property which was previously written off, to Zadar Ventures Ltd. for gross proceeds of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. The 315,000 common shares of Zadar Ventures Ltd. were issued to the Company on October 2, 2013.

At September 30, 2013, the Company was owed $302 (September 30, 2012 - $Nil) from United Zeolite Ltd., a private company with common directors.

At September 30, 2013, the Company was owed $4,453 (September 30, 2012 - $Nil) from 1177129 Alberta Ltd., a private company controlled by the President of the Company, Jason Walsh.

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.

10. SEGMENTED INFORMATION

The Company operates in one industry segment, the junior natural resource – exploration industry, and in two geographical segments, Canada and the United States. The significant categories identifiable with these geographic areas are as follows:

(Expressed in Canadian Dollars)

10. SEGMENTED INFORMATION (continued)

	Canada	US	Total
Other assets	$ 43,361	$ -	$ 43,361
Balance at September 30, 2012	$ 43,361	$ -	$ 43,361
Other assets	$ 190,195	$ -	$ 190,195
Balance at September 30, 2013	**$ 190,195**	**$ -**	**$ 190,195**
Loss for the year ended September 30, 2012	$ (569,635)	$ (7,544,881)	$ (8,114,516)
Loss for the year ended September 30, 2013	**$ (371,058)**	**$ -**	**$ (371,058)**

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	September 30 2013	September 30 2012
Loss before income taxes	**$ (371,058)**	$ (8,114,516)
Statutory Canadian corporate tax rate	**25.50%**	25.38%
Income tax recovery at statutory rates	**$ (94,620)**	$ (2,059,058)
Non-deductible items for tax purposes	**4,280**	7,046
Adjustments to deferred tax assets and liabilities for substantively enacted changes in tax laws and rates	**(215,246)**	30,325
Change in valuation allowance	**305,586**	2,021,687
	$ -	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

	September 30 2013	September 30 2012
Deferred income tax assets		
Equipment	$ 7,188	$ 6,810
Mineral interests	3,907,102	3,783,554
Share issuance costs	74,223	107,612
Net capital losses available	41,408	39,815
Non-capital losses available for future years	1,612,527	1,399,072
	5,642,448	5,336,863
Valuation allowance	(5,642,448)	(5,336,863)
	$ -	$ -

At September 30, 2013 the Company has non-capital tax losses of approximately $6,202,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	Amount
2014	$ 358,000
2015	261,000
2026	598,000
2027	870,000
2028	518,000
2029	314,000
2030	590,000
2031	1,396,000
2032	691,000
2033	606,000
	$ 6,202,000

The Company also has capital losses of approximately $318,521 available to reduce future years' income taxes. In addition the Company has available mineral resource related expenditure pools totaling approximately $15,027,000 which may be deducted against future taxable income on a discretionary basis.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the year ended September 30, 2013 and 2012 were as follows:

		September 30 2013		September 30 2012
Common shares to be issued for finance costs (notes 7 and 8)	**$**	**40,675**	$	-
Fair value of agent warrants exercised	**$**	**-**	$	2,098
Fair value of stock options expired	**$**	**2,742,064**	$	-
Fair value of warrants and agent warrants expired	**$**	**440,078**	$	-
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**1,222**	$	2,679
Interest received	**$**	**199**	$	221
Mineral interests included in accounts payable and accrued liabilities	**$**	**65,365**	$	65,365
Share costs included in accounts payable and accrued liabilities	**$**	**-**	$	42,000

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, cheques issued in excess of bank balance, accounts payable and accrued liabilities, and promissory note payable 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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. 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, 2013 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.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

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.

(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 and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at September 30, 2013 which bear interest.

(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 exposed to foreign currency risk with respect to cash, and accounts payable and accrued liabilities that are denominated in US dollars.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk (continued)

	September 30 2013 USD	September 30 2012 USD
Accounts payable and accrued liabilities	**$ 96,054**	$ 96,054

At September 30, 2013, financial instruments were converted at a rate of $1.00 Canadian to US$1.0595.

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 at this time. If and when the Company closes its major transaction of the Jellico Project, a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position.

(c) 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.

14. SUBSEQUENT EVENTS

On October 26, 2011, 150,000 common shares were issued upon exercise of 150,000 warrants at $0.25. On December 17, 2013, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

APPENDIX “D”

THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) Audited Financial Statements for the Year Ended September 30, 2012

THELON CAPITAL LTD.

Financial Statements

For the Year Ended September 30, 2012

(Expressed in Canadian Dollars)

Financial Statements

CHARTERED
ACCOUNTANTS
MacKay LLP

1100 – 1177 West Hastings Street
Vancouver, BC V6E 4T5
Tel: 604-687-4511
Fax: 604-687-5805
Toll Free: 1-800-351-0426
www.MacKay.ca

mackay.ca

Independent Auditor's Report

To the Shareholders of
Thelon Capital Ltd.

We have audited the accompanying financial statements of Thelon Capital Ltd., which comprise the statements of financial position as at September 30, 2012, September 30, 2011, and October 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years ended September 30, 2012 and September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Thelon Capital Ltd. as at September 30, 2012, September 30, 2011, and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Thelon Capital Ltd. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
January 28, 2013

THELON CAPITAL LTD.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	September 30, 2012	(note 15) September 30, 2011	(note 15) October 1, 2010
Assets			
Current			
Cash	**$ -**	$ 428,550	$ 668
Amounts receivable	**444**	1,623	-
HST receivable	**11,304**	15,831	17,883
Advances to related parties (note 10)	**4,514**	59,339	-
Prepaid expenses	**25,600**	37,414	5,514
	41,862	542,757	24,065
Non-current			
Equipment (note 4)	**1,499**	2,068	2,862
Mineral interests (note 5)	**-**	5,777,664	489,822
Deposit on option to purchase (note 6)	**-**	1,687,294	-
	$ 43,361	$ 8,009,783	$ 516,749
Liabilities			
Current			
Cheques written in excess of bank balance	**$ 9,099**	$ -	$ -
Accounts payable and accrued liabilities (note 10)	**338,779**	313,914	99,610
Promissory note payable (note 7)	**10,000**	-	34,401
Advances from related parties (note 10)	**91,260**	38,318	35,411
	449,138	352,232	169,422
Shareholders' Equity			
Share capital (note 8)	**21,759,624**	21,642,026	12,819,147
Share subscriptions receivable	**(122,909)**	(60,409)	-
Share subscriptions received	**-**	-	15,000
Reserves	**3,182,142**	3,279,427	2,329,347
Accumulated deficit	**(25,224,634)**	(17,203,493)	(14,816,167)
	(405,777)	7,657,551	347,327
	$ 43,361	$ 8,009,783	$ 516,749

Nature and continuance of operations (note 1)
Commitments (note 5)
Subsequent events (note 16)

These financial statements were authorized for issue by the Board of Directors on January 28, 2013. They are signed on the Company's behalf by:

"Jason Walsh" Director

"Geoff Watson" Director

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

THELON CAPITAL LTD.

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended September 30, 2012	2011 (note 15)
Administrative expenses		
Advertising and promotion	**$ 64,079**	$ 226,518
Bank charges and interest	**4,340**	11,169
Consulting (note 10)	**209,400**	396,951
Depreciation	**569**	794
Director fees (note 10)	**24,000**	23,000
Legal and accounting	**82,191**	99,119
Office and administration (note 10)	**65,458**	82,567
Share-based compensation (reversal) (notes 9 and 10)	**(1,812)**	592,578
Shareholder relations	**49,195**	236,710
Telephone	**14,784**	15,141
Transfer agent and exchange fees	**21,286**	53,202
Travel (note 10)	**42,975**	120,361
Loss before other items	**(576,465)**	(1,858,110)
Other items		
Foreign exchange gain (loss)	**6,609**	(17,370)
Impairment of mineral interest (note 5)	**(5,819,820)**	-
Other income	**221**	476
Recovery of mineral properties	**-**	10,833
Write off of abandoned properties	**-**	(523,155)
Write off of deposit on option to purchase (note 6)	**(1,725,061)**	-
	(7,538,051)	(529,216)
Net and comprehensive loss for the year	**$ (8,114,516)**	$ (2,387,326)
Basic and diluted loss per share	**$ 0.19**	$ 0.07
Weighted average number of shares outstanding	**42,805,883**	32,438,152

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

THELON CAPITAL LTD.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Receivable	Share Subcriptions Received	Reserves: Share-Based Payment Reserve	Reserves: Warrant Reserve	Reserves: Total	Deficit	Total Equity
Balance at October 1, 2010 (note 15)	10,715,973	$ 12,819,147	$ -	$ 15,000	$ 2,329,347	$ -	$ 2,329,347	$ (14,816,167)	$ 347,327
Shares issued for mineral interests	7,033,333	2,168,333	-	-	-	-	-	-	2,168,333
Shares issued for debt	14,666	6,600	-	-	-	-	-	-	6,600
Shares issued for cash	17,246,220	5,550,515	(60,409)	(15,000)	-	211,683	211,683	-	5,686,789
Warrants exercised	6,516,948	1,473,698	-	-	-	-	-	-	1,473,698
Stock options exercised	557,500	116,750	-	-	-	-	-	-	116,750
Fair value of stock options exercised	-	84,674	-	-	(84,674)	-	(84,674)	-	-
Agent warrants exercised	293,791	73,448	-	-	-	-	-	-	73,448
Fair value of agent warrants exercised	-	51,355			-	(51,355)	(51,355)	-	-
Share issue costs	-	(702,494)	-	-	-	281,848	281,848	-	(420,646)
Share-based compensation	-	-	-	-	592,578	-	592,578	-	592,578
Loss for the year	-	-	-	-	-	-	-	(2,387,326)	(2,387,326)
Balance at September 30, 2011 (note 15)	42,378,431	$ 21,642,026	$ (60,409)	$ -	$ 2,837,251	$ 442,176	$ 3,279,427	$ (17,203,493)	$ 7,657,551
Balance at September 30, 2011 (note 15)	42,378,431	$ 21,642,026	$ (60,409)	$ -	$ 2,837,251	$ 442,176	$ 3,279,427	$ (17,203,493)	$ 7,657,551
Warrants exercised	450,000	112,500	(62,500)	-	-	-	-	-	50,000
Agents warrants exercised	12,000	3,000	-	-	-	-	-	-	3,000
Fair value of agents warrants exercised	-	2,098	-	-	-	(2,098)	(2,098)	-	-
Fair value of stock options expired	-	-	-	-	(93,375)	-	(93,375)	93,375	-
Share-based compensation	-	-	-	-	(1,812)	-	(1,812)	-	(1,812)
Loss for the year	-	-	-	-	-	-	-	(8,114,516)	(8,114,516)
Balance at September 30, 2012	**42,840,431**	**$ 21,759,624**	**$ (122,909)**	**$ -**	**$ 2,742,064**	**$ 440,078**	**$ 3,182,142**	**$ (25,224,634)**	**$ (405,777)**

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

THELON CAPITAL LTD.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30, 2012	2011 (note 15)
Cash provided by (used for)		
Operating activities		
Net loss for the year	**$ (8,114,516)**	$ (2,387,326)
Add items not affecting cash		
Depreciation	**569**	794
Foreign exchange loss (gain)	**(6,609)**	17,370
Impairment of mineral interest	**5,819,820**	-
Interest paid by shares	**-**	6,600
Share-based compensation (reversal)	**(1,812)**	592,578
Write off of abandoned properties	**-**	523,155
Write off of deposit on option to purchase	**1,725,061**	-
	(577,487)	(1,246,829)
Net change in non-cash working capital	**104,031**	13,822
	(473,456)	(1,233,007)
Financing activities		
Advances from related parties	**52,942**	-
Issuance of shares for cash	**53,000**	5,850,686
Promissory notes payable (repaid)	**10,000**	(34,401)
Unit issue costs	**-**	(378,647)
	115,942	5,437,638
Investing activities		
Acquisition of mineral interests	**(103,802)**	(2,015,653)
Advances to (from) related parties	**54,825**	(56,432)
Deposit on option to purchase	**(37,767)**	(1,687,294)
	(86,744)	(3,759,379)
Effect of foreign exchange translation on cash	**6,609**	(17,370)
Net increase (decrease) in cash	**(437,649)**	427,882
Cash, beginning of year	**428,550**	668
Cash (cheques written in excess of bank balance), end of year	**$ (9,099)**	$ 428,550
Interest paid	**$ 2,679**	$ -
Interest received	**$ 221**	$ 102

Supplemental cash flow disclosure (note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Capital Ltd. (the "Company") is a public company incorporated under the Company Act of British Columbia on February 2, 1982. Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 under the trading symbol "THC" and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company's principal business activity is the acquisition and exploration of mineral properties.

The Company's corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3.

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 or disposition thereof.

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 develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. 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 14c.

Management is also aware that material uncertainties exist related to current economic conditions which could adversely affect the Company's ability to continue to finance its activities. The Company intends to continue pursuing additional sources of financing through equity offerings to finance its operations and exploration activities. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities, and the classifications used on the statement of financial position. Since the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Statement of compliance and conversion to International Financial Reporting Standards

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company previously prepared its annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting policies and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 15 contains the reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on the statements of financial position as at October 1, 2010 and September 30, 2011, and the statement of comprehensive loss for the year ended September 30, 2011.

b) Basis of presentation

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

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all years presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position at October 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards ("IFRS 1")*. The impact of the transition from Canadian GAAP to IFRS is explained in Note 15.

c) Foreign currencies

i) Presentation and functional currency

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

ii) Foreign currency transactions

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) 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.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

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 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 year ended September 30, 2012, impairments of non-financial assets were $7,544,881 (September 30, 2011 – $523,155).

(b) Useful life of property, plant, and equipment

Property, plant, and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant, and equipment at September 30, 2012 was $1,499 (September 30, 2011 - $2,068).

(c) 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 year ended September 30, 2012, the Company recognized share-based compensation expense (reversal) of $(1,812) (September 30, 2011 - $592,578).

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) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2012 and September 30, 2011, management had determined that no reclassification of mineral interests was required.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

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

(b) 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 financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement 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 financial 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 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, and advances to related parties as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(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. 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 financial assets as available-for-sale.

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 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 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. The Company has classified cheques issued in excess of bank balance, accounts payable and accrued liabilities, promissory note payable, and advances from related parties 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant, and equipment

Property, plant, and equipment ("PPE") is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE 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, plant, and equipment are depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Furniture and fixtures	20%
Computer equipment	30%

An item of PPE 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 plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant 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.

e) Impairment

At each financial position reporting date, the carrying amounts of the Company's 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 as determined by the current quoted trading price of the announcement date, 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. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, 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.

j) 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.

k) Income taxes

Income tax on the profit or loss for the years 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 year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

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.

l) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

m) New accounting standards and interpretations not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company:

i) 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, 2015, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

ii) IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's financial statements.

iii) IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's financial statements.

iv) IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value, and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

v) Other

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

v) Other (continued)

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, with revised requirements for pensions and other postretirement benefits, termination benefits, and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

4. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at October 1, 2010	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2011	9,068	22,357	31,425
Additions	-	-	-
Balance at September 30, 2012	**$ 9,068**	**$ 22,357**	**$ 31,425**
Accumulated Depreciation			
Balance at October 1, 2010	$ 8,425	$ 20,138	$ 28,563
Depreciation for the year	128	666	794
Balance at September 30, 2011	8,553	20,804	29,357
Depreciation for the year	103	466	569
Balance at September 30, 2012	**$ 8,656**	**$ 21,270**	**$ 29,926**
Carrying Amounts			
At October 1, 2010	**$ 643**	**$ 2,219**	**$ 2,862**
At September 30, 2011	**$ 515**	**$ 1,553**	**$ 2,068**
At September 30, 2012	**$ 412**	**$ 1,087**	**$ 1,499**

(Expressed in Canadian Dollars)

5. MINERAL INTERESTS

		Athabasca Basin (Canada)		Jellico Project (US)		Total
Balance at October 1, 2010	$	489,822	$	-	$	489,822
Acquisition costs		-		5,777,664		5,777,664
Write-off of property		(489,822)		-		(489,822)
Balance at September 30, 2011		-		5,777,664		5,777,664
Acquisition costs		-		42,156		42,156
Impairment of mineral interest		-		(5,819,820)		(5,819,820)
Balance at September 30, 2012	**$**	**-**	**$**	**-**	**$**	**-**

a) Athabasca Basin Property

By agreement dated March 9, 2005, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in three mineral prospecting permits totaling approximately 120,000 hectares, located in the Athabasca Basin, Saskatchewan.

Consideration is cash of $100,000 (paid) and 1,000,000 common shares (issued).

By agreement dated August 9, 2006, the Company entered into an option agreement with Triex Minerals Corporation (“Triex”), in which Triex can acquire up to an 80% interest in the Athabasca Basin Properties located in northern Saskatchewan. Triex earned an initial 51% interest in the Property at which time a Joint Venture was formed, by incurring $250,000 in expenditures on the property before December 1, 2006, of which $90,000 may be paid in the form of direct payments to the Company. During the year ended September 30, 2007, Triex paid $80,385 in direct payments to the company and incurred the required amount of expenditures on the property in order to satisfy the First Option.

Triex can earn an additional 9% interest by incurring $1,500,000 before September 1, 2008 (completed), an additional 10% interest by incurring $1,200,000 before April 30, 2010 (completed), and an additional 10% interest by incurring $3,100,000 before April 30, 2013 (completed).

Thelon and Triex formed a 20%-80% joint venture. The Company’s investment in the Joint Venture was recorded at the carrying value of the Athabasca Basin Property.

During the year ended September 30, 2011, management decided not to continue with this project and accordingly wrote off the accumulated costs.

5. MINERAL INTERESTS (continued)

b) Jellico Project

On May 27, 2010, the Company entered into a Letter of Agreement to acquire 100% of the Jellico Coal Property which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee.

The Company entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company who owns 100% of the Jellico Coal property. The purchase price is:

- 7,000,000 common shares (issued);
- US$1,000,000 (paid) on signing;
- US$3,000,000 (US$2,736,374 paid) due December 15, 2011;
- take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and
- issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing.

A bonus of $50,000 was paid to a company controlled by a director on this transaction. This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

At September 30, 2012, the Company has been unable to make the required payments to close the transaction. Although the vendor has not demanded payment, a written extension has not been received; therefore, at September 30, 2012, the Company has recorded an impairment of $5,819,820 against the accumulated costs to reflect the uncertainty around completion of the acquisition.

6. OPTION TO PURCHASE

On February 22, 2011, the Company entered into a Letter of Intent ("LOI") to purchase a 100% interest in a private Tennessee mining company ("Privateco") for US$35,000,000 plus US$7,000,000 in surety bonds. The Company must pay a non-refundable deposit of US$1,000,000 (paid) within 14 days from the date of signing, with US$41,000,000 due within 120 days (June 20, 2011). The Company may get a 60 day extension by paying an additional US$500,000 non-refundable deposit (paid), prior to the expiration of the 120 day period. The LOI was amended to reflect the balance due 60 days from June 20, 2011, or on August 19, 2011.

The LOI was amended to reflect the purchase price release dates. The total purchase price remained at US$35,000,000 plus US$7,000,000 in surety bonds. A non-refundable deposit of US$1,500,000 has been paid, a further non-refundable deposit of US$500,000 was due on February 15, 2012 to extend the closing date to April 15, 2012 which was not paid, US$22,000,000 was due on closing, the vendor to invest $2,400,000 by way of a private placement in the Company, US$1,000,000 to be paid on the first, second, and third anniversary date of the closing, and US$7,000,000 to be paid over three years based on production along with a production bonus of US$2,400,000 over three years paid to the vendor.

The Company was unable to pay the deposit of $500,000 on February 15, 2012 to extend the closing date. All the accumulated costs relating to this transaction have been written off.

(Expressed in Canadian Dollars)

7. PROMISSORY NOTE PAYABLE

The Company issued a promissory note in the principal amount of $25,000 on September 12, 2012 of which $10,000 was drawn as at September 30, 2012. The interest rate is 25% per annum and due on December 15, 2013. The Company has agreed to also issue common shares in such number to have an aggregate value of $5,000 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company.

8. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at October 1, 2010	**10,715,973**			**$**	**12,819,147**
Issued for mineral interest	7,033,333	$	0.31		2,168,333
Issued for cash (private placements)	17,246,220	$	0.32		5,550,515
Stock options exercised	557,500	$	0.21		116,750
Warrants exercised	6,516,948	$	0.23		1,473,698
Agents warrants exercised	293,791	$	0.25		73,448
Shares issued for debt	14,666	$	0.45		6,600
Fair value of agent warrants exercised	-	$	-		51,355
Fair value of stock options exercised	-	$	-		84,674
Share issue costs	-	$	-		(702,494)
Balance at September 30, 2011	**42,378,431**			**$**	**21,642,026**
Warrants exercised	450,000	$	0.25		112,500
Agents warrants exercised	12,000	$	0.25		3,000
Fair value of agent warrants exercised	-	$	-		2,098
Balance at September 30, 2012	**42,840,431**			**$**	**21,759,624**

b) Escrow shares

Currently 4,167 shares (September 30, 2011 – 4,167) are held in escrow.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**4,241,282**	**$**	**0.34**
Warrants granted	17,246,220	$	0.81
Warrants exercised	(6,516,948)	$	0.23
Warrants expired	(10,000)	$	0.25
Balance at September 30, 2011	**14,960,554**	**$**	**0.89**
Warrants exercised	(450,000)	$	0.25
Warrants expired	(658,000)	$	0.30
Balance at September 30, 2012	**13,852,554**	**$**	**0.85**

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	3,268,332	$	0.35
March 7, 2013	3,612,000	$	1.25
April 11, 2013	6,972,222	$	1.25
	13,852,554	**$**	**0.85**

d) Agents warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**-**	**$**	**-**
Agent warrants granted	1,322,561	$	0.76
Agent warrants exercised	(293,791)	$	0.25
Balance at September 30, 2011	**1,028,770**	**$**	**0.90**
Agent warrants exercised	(12,000)	$	0.25
Balance at September 30, 2012	**1,016,770**	**$**	**0.82**

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Agents warrants outstanding (continued)

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	275,875	$	0.35
March 7, 2013	252,840	$	1.25
April 11, 2013	488,055	$	1.25
	1,016,770	**$**	**0.82**

9. SHARE-BASED COMPENSATION

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2012 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

The following summarizes the stock options outstanding and exercisable at September 30, 2012:

	Number of Options		Weighted Average Exercise Price
Balance at October 1, 2010	**1,075,000**	**$**	**0.20**
Options granted	2,645,000	$	0.34
Options exercised	(557,500)	$	0.21
Balance at September 30, 2011	**3,162,500**	**$**	**0.32**
Options expired	(622,500)	$	0.20
Balance at September 30, 2012	**2,540,000**	**$**	**0.35**

(Expressed in Canadian Dollars)

9. SHARE-BASED COMPENSATION (continued)

Grant Date	Expiry Date	Exercise Price		Number of Options Outstanding	Number of Options Exercisable
October 28, 2010	October 28, 2012	$	0.25	995,000	995,000
December 1, 2010	December 1, 2012	$	0.35	200,000	200,000
December 15, 2010	December 15, 2012	$	0.35	300,000	300,000
January 5, 2011	January 5, 2013	$	0.45	220,000	220,000
April 11, 2011	April 11, 2013	$	0.45	500,000	500,000
May 6, 2011	May 6, 2013	$	0.45	125,000	125,000
September 14, 2011	September 14, 2013	$	0.38	200,000	200,000
		$	**0.35**	**2,540,000**	**2,540,000**

On October 28, 2010, the Company issued 1,100,000 stock options at a price of $0.25 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $179,863 or $0.16 per option, assuming an expected life of two years, a risk-free interest rate of 1.45%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 158.00%.

On December 1, 2010, the Company issued 200,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $51,254 or $0.26 per option, assuming an expected life of two years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 155.00%.

On December 15, 2010, the Company issued 300,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $114,282 or $0.38 per option, assuming an expected life of two years, a risk-free interest rate of 1.72%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 156.00%.

On January 5, 2011, the Company issued 220,000 stock options at a price of $0.45 for a period of two years to investor relations consultants which vest quarterly over 12 months. These options have a fair value on the date of grant, calculated using the Black-Scholes option pricing model, of $70,387 or $0.32 per option, assuming an expected life of two years, a risk-free interest rate of 1.76%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 148.00%.

On April 11, 2011, the Company granted 500,000 stock options at a price of $0.45 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $155,920 or $0.31 per option, assuming an expected life of two years, a risk-free interest rate of 1.93%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 143.00%.

On May 6, 2011, the Company granted 125,000 stock options at a price of $0.45 for a period of two years to investor relations consultants which vest quarterly over 12 months. These options have a fair value on the date of grant, calculated using the Black-Scholes option pricing model, of $33,331 or $0.27 per option, assuming an expected life of two years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 141.00%.

On September 14, 2011, the Company granted 200,000 stock options at a price of $0.38 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $36,634 or $0.18 per option, assuming an expected life of two years, a risk-free interest rate of 0.93%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 90.00%.

(Expressed in Canadian Dollars)

9. SHARE-BASED COMPENSATION (continued)

Expected annual volatility was determined solely based on historical volatility.

10. RELATED PARTY TRANSACTIONS

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 years ended September 30, 2012 and 2011:

	Consulting	Director fees	Office and Administration	Share-Based Compensation	Travel	September 30, 2012 Total
BUA Capital Management Ltd.	$ 81,000	$ -	$ -	$ -	$ 11,100	$ 92,100
BUA Group Holdings Ltd.	-		59,560	-	-	59,560
Geoff Watson	-	12,000	-	-	-	12,000
GRW Inc. (formerly Complete Communications Inc.)	37,000		-	-	-	37,000
Jason Walsh	-	12,000	-	-	-	12,000
	$ 118,000	**$ 24,000**	**$ 59,560**	**$ -**	**$ 11,100**	**$ 212,660**

	Consulting	Director fees	Office and Administration	Share-Based Compensation	September 30, 2011 Total
BUA Capital Management Ltd.	$ 57,500	$ -	$ -	$ 146,984	$ 204,484
BUA Group Holdings Ltd.	-		62,304	-	62,304
Complete Communications Inc.	27,000	-	-	-	27,000
Geoff Watson	-	11,000	-	32,702	43,702
George Heard	-	-	-	155,920	155,920
Jason Walsh	-	12,000	-	-	12,000
John Roozendahl	-	-	-	16,351	16,351
	$ 84,500	$ 23,000	$ 62,304	$ 351,957	$ 521,761

BUA Capital Management Ltd. and BUA Group Holdings Ltd. are private companies controlled by the President of the Company, Jason Walsh.

GRW Inc. (formerly Complete Communications Inc.) is a private company controlled by a director, Geoff Watson.

At September 30, 2012, the Company was owed $4,514 (September 30, 2011 - $4,514) from BUA Group Holdings Ltd.

At September 30, 2012, the Company owed $8,348 (September 30, 2011 – $(54,825)) to BUA Capital Management Ltd.; $26,504 (September 30, 2011 - $38,318) to Jason Walsh; $1,000 (September 30, 2011 – nil) to Geoff Watson; and $61,000 (September 30, 2011 - $Nil) to Thelon Diamond Company Limited, a private company with common directors controlled by Jason Walsh.

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.

At September 30, 2012, $2,000 in director fees for the month ended September 30, 2012 were not paid and are included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

The Company operates in one industry segment, the junior natural resource – exploration industry, and in two geographical segments, Canada and the United States. The significant categories identifiable with these geographic areas are as follows:

	Canada	US	Total
Mineral interests	$ 489,822	$ -	$ 489,822
Deposit on option to purchase	-	-	-
Other assets	26,927	-	26,927
Balance at October 1, 2010	$ 516,749	$ -	$ 516,749
Mineral interests	$ -	$ 5,777,664	$ 5,777,664
Deposit on option to purchase	-	1,687,294	1,687,294
Other assets	544,825	-	544,825
Balance at September 30, 2011	$ 544,825	$ 7,464,958	$ 8,009,783
Other assets	**$ 43,361**	**$ -**	**$ 43,361**
Balance at September 30, 2012	**$ 43,361**	**$ -**	**$ 43,361**
Loss for the year ended September 30, 2011	$ (2,387,326)	$ -	$ (2,387,326)
Loss for the year ended September 30, 2012	**$ (569,635)**	**$ (7,544,881)**	**$ (8,114,516)**

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	September 30, 2012	September 30, 2011
Loss before income taxes	$ **(8,114,516)**	$ (2,387,326)
Statutory Canadian corporate tax rate	**25.38%**	27.00%
Income tax recovery at statutory rates	$ **(2,059,058)**	$ (644,578)
Non-deductible items for tax purposes	**225,913**	171,748
Adjustments to deferred tax assets and liabilities for substantively enacted changes in tax laws and rates	**27,091**	35,024
Tax benefits not recognized	**1,806,054**	437,806
	$ **-**	$ -

The significant components of the Company's deferred income tax assets are as follows:

	September 30, 2012	September 30, 2011	October 1, 2010
Deferred income tax assets			
Equipment	$ **6,810**	$ 6,667	$ 6,469
Mineral interests	**3,352,289**	1,897,334	1,769,254
Share issuance costs	**107,612**	144,960	8,830
Net capital losses available	**255,448**	39,815	39,815
Non-capital losses available for future years	**1,399,072**	1,226,399	877,380
	5,121,231	3,315,175	2,701,748
Tax benefits not recognzied	**(5,121,231)**	(3,315,175)	(2,701,748)
	$ **-**	$ -	$ -

At September 30, 2012 the Company has non-capital tax losses of approximately $5,596,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

(Expressed in Canadian Dollars)

12. INCOME TAXES (continued)

Expiry Date		Amount
2014	$	358,000
2015		261,000
2026		598,000
2027		870,000
2028		518,000
2029		314,000
2030		590,000
2031		1,396,000
2032		691,000
	$	**5,596,000**

The Company also has capital losses of approximately $2,044,000 available to reduce future years' income taxes. In addition the Company has available mineral resource related expenditure pools totaling approximately $13,409,000 which may be deducted against future taxable income on a discretionary basis.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the years ended September 30, 2012 and 2011 were as follows:

		September 30, 2012		September 30, 2011
Agent's warrants issued for share costs	**$**	**-**	$	281,847
Fair value of agent warrants exercised	**$**	**2,098**	$	51,355
Fair value of stock options exercised	**$**	**-**	$	84,674
Income taxes paid	**$**	**-**	$	-
Mineral interests included in accounts payable and accrued liabilities	**$**	**65,365**	$	127,011
Share costs included in accounts payable and accrued liabilities	**$**	**42,000**	$	42,000
Shares issued for debt	**$**	**-**	$	6,600
Shares issued for mineral interests	**$**	**-**	$	2,168,333

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, cheques issued in excess of bank balance, accounts payable and accrued liabilities, and promissory note payable 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 and with property exploration and development. 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 equity financing. Cash on hand at September 30, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs and close its major transaction (see note 5b). The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

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.

14. 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 and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at September 30, 2012 which bear interest.

(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 exposed to foreign currency risk with respect to cash, and accounts payable and accrued liabilities that are denominated in US dollars. The balance to close on a mineral interest is also denominated in US dollars (see note 5b).

	September 30, 2012 USD	September 30, 2011 USD	October 1, 2010 USD
Cash	**$ -**	$ 267	$ -
Accounts payable and accrued liabilities	**$ 96,054**	$ 156,468	$ -

At September 30, 2012, financial instruments were converted at a rate of $1.00 Canadian to US$1.0176.

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 at this time. If and when the Company closes its major transaction (see note 5b), a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(c) 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.

15. FIRST TIME ADOPTION OF IFRS

a) Transition to IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended September 30, 2012, the comparative information for the year ended September 30, 2011, and the preparation of an opening statement of financial position on the transition date of October 1, 2010.

i) First time adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1. *First-time Adoption of International Financial Reporting Standards*. Under IFRS 1, changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments to deficit unless certain optional exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position at October 1, 2010:

(a) Share-based payments

IFRS 1 does not require first-time adopters to apply IFRS 2, *Share-Based Payments*, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the Transition Date. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

(b) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

15. FIRST TIME ADOPTION OF IFRS (continued)

i) First time adoption

(c) Estimates

IFRS 1 requires that an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

b) Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS effective September 30, 2012, the Company's first annual IFRS reporting date.

i) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company's accounting policies related to impairment of assets have been changed to reflect these differences. There is no impact on the Company's financial statements.

ii) Decommissioning liability (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the Company's financial statements.

iii) Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

The Company's accounting policies related to share-based payments have been changed to reflect these differences (see note 15c).

(Expressed in Canadian Dollars)

15. FIRST TIME ADOPTION OF IFRS (continued)

c) Reconciliation of Canadian GAAP to IFRS

In preparing its opening IFRS statement of financial position at October 1, 2010, comparative information for the year ended September 30, 2011, and financial statements for the year ended September 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position is set out in the table below:

	October 1, 2010			September 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets						
Current						
Cash	$ 668	$ -	$ 668	$ 428,550	$ -	$ 428,550
Amounts receivable	-	-	-	1,623	-	1,623
HST receivable	17,883	-	17,883	15,831	-	15,831
Due from related parties	-	-	-	59,339	-	59,339
Prepaid expenses	5,514	-	5,514	37,414	-	37,414
	24,065	-	24,065	542,757	-	542,757
Non-current						
Equipment	2,862	-	2,862	2,068	-	2,068
Mineral interests	489,822	-	489,822	5,777,664	-	5,777,664
Deposit on option to purchase	-	-	-	1,687,294	-	1,687,294
	$ 516,749	$ -	$ 516,749	$ 8,009,783	$ -	$ 8,009,783
Liabilities						
Current						
Accounts payable and accrued liabilities	$ 99,610	$ -	$ 99,610	$ 313,914	$ -	$ 313,914
Promissory note payable	34,401	-	34,401	-	-	-
Due to related party	35,411	-	35,411	38,318	-	38,318
	169,422	-	169,422	352,232	-	352,232
Shareholders' Equity						
Share capital	12,819,147	-	12,819,147	21,642,026	-	21,642,026
Share subscriptions receivable	-	-	-	(60,409)	-	(60,409)
Share subscriptions received	15,000	-	15,000	-	-	-
Reserves	2,329,347	-	2,329,347	3,273,451	5,976	3,279,427
Accumulated deficit	(14,816,167)	-	(14,816,167)	(17,197,517)	(5,976)	(17,203,493)
	347,327	-	347,327	7,657,551	-	7,657,551
	$ 516,749	$ -	$ 516,749	$ 8,009,783	$ -	$ 8,009,783

15. FIRST TIME ADOPTION OF IFRS (continued)

c) Reconciliation of Canadian GAAP to IFRS (continued)

The adoption of IFRS has had no impact in the net cash flows of the Company; accordingly, no reconciliation for the Statements of Cash Flows has been presented.

The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on the financial statements for these comparative periods, other than an increase in the comprehensive loss for the year ended September 30, 2011 and a transfer within equity due to a change in the fair value of options issued:

		Year ended September 30, 2011
Comprehensive loss per Canadian GAAP	$	2,381,350
Adjustment on adoption of IFRS		5,976
Comprehensive loss per IFRS	$	2,387,326

d) Notes on reconciliation of Canadian GAAP to IFRS

Under Canadian GAAP, the Company measured share-based payments related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the underlying options and agents warrants. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured at the date of grant. The fair value of options granted to contractors, consultants, and agents are measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2 requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options using the graded method; however, for options granted to non-employees, IFRS requires that share-based payments be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company; accordingly, certain contractors and consultants are classified as employees under IFRS.

No share purchase options were reclassified; however, share purchase options expensed over a vesting period were adjusted under IFRS using the graded method.

16. SUBSEQUENT EVENTS

On October 20, 2012, 3,268,332 warrants expired with an exercise price of $0.35 each.

On October 20, 2012, 275,875 agents warrants expired with an exercise price of $0.35 each and fair value of $0.17 each.

On October 28, 2012, 995,000 options expired with an exercise price of $0.25 each and fair value of $0.16 each.

On December 1, 2012, 200,000 options expired with an exercise price of $0.35 each and fair value of $0.26 each.

On December 15, 2012, 300,000 options expired with an exercise price of $0.35 each and fair value of $0.38 each.

On January 5, 2013, 220,000 options expired with an exercise price of $0.45 each and fair value of $0.32 each.

APPENDIX “E”

THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) Audited Committee Charter

THELON CAPITAL LTD.
(the "**Company**")

AUDIT COMMITTEE CHARTER

(Dated for Reference December 12, 2014)

MANDATE

The audit committee (the "**Committee**") will assist the Board of Directors (the "**Board**") in fulfilling its financial oversight responsibilities by reviewing the financial reporting process, the system of internal control and the audit process.

COMPOSITION

The Committee shall be comprised of at least three members. Each member must be a director of the Company. A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company. At least one member of the Committee shall be financially literate. All members of the Committee who are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the term "financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Committee shall be appointed by the Board at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The Chair shall be financially literate and an independent director as defined in Section 1.4 of National Instrument 52-110 - Audit Committees.

MEETINGS

Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly. Unless all members are present and waive notice, or those absent waive notice before or after a meeting, the Chairman will give Committee members 24 hours' advance notice of each meeting and the matters to be discussed at it. Notice may be given personally, by telephone, facsimile or e-mail.

The external auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at any other meeting. On request by the external auditor, the Chair shall call a meeting of the Committee to consider any matter that the external auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting of the Committee, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company. A member may participate in a meeting of the Committee in person or by telephone if all members participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A member may participate in a meeting of the Committee by a communications medium other than telephone if all members participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all members who wish to participate in the meeting agree to such participation.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of Management and the external auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the external auditor and Management annually to review the Company's financial statements.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

RESPONSIBILITIES AND DUTIES

Financial Accounting and Reporting Process and Internal Controls

The Committee is responsible for reviewing the Company's financial accounting and reporting process and system of internal control. The Committee shall:

(a) Review the annual audited financial statements to satisfy itself that they are presented in accordance with international financial reporting standards ("**IFRS**") and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements.

(b) With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of Management with Management and the external auditor and have meetings with the Company's auditor without Management present, as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.

(c) Review any internal control reports prepared by Management and the evaluation of such report by the external auditor, together with Management's response.

(d) Review the Company's financial statements, management's discussion and analysis and annual and interim profit or loss, and any press releases related thereto before the Company publicly discloses this information.

(e) Review and satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in paragraph (d) above, and periodically assess the adequacy of those procedures.

(f) Meet no less frequently than annually with the external auditor and the Chief Financial Officer to review accounting practices, internal controls and such other matters as the Committee or Chief Financial Officer deem appropriate.

(g) Inquire of Management and the external auditor about significant financial risks or exposures, both internal and external, to which the Company may be subject, and assess the steps Management has taken to minimize such risks.

(h) Review the post-audit or Management letter containing the recommendations of the external auditor and Management's response and subsequent follow-up to any identified weaknesses.

(i) Establish procedures for:

(j) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

(k) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Audit

External Auditor

The Committee has primary responsibility for the selection, appointment, dismissal and compensation and oversight of the external auditor, subject to the overall approval of the Board. In carrying out this duty, the Committee shall:

(a) Require the external auditor to report directly to the Committee.

(b) Recommend to the Board the external auditor to be nominated at the annual general meeting for appointment as the external auditor for the ensuing year for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation for the external auditor, or, if applicable, the replacement of the external auditor.

(c) Review, annually, the performance of the external auditor.

(d) Review and confirm the independence of the external auditor.

(e) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the external auditor and former independent external auditor of the Company.

(f) Pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor.

Other

(a) Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable regulatory authorities or legislation.

(b) Report regularly and on a timely basis to the Board on matters coming before the Committee.

(c) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

AUTHORITY

The Committee is authorized:

(a) to seek any information it requires from any employee of the Company in order to perform its duties;

(b) to engage, at the Company's expense, independent legal counsel or other professional advisors on any matter within the scope of the role and duties of the Committee under this Charter;

(c) to set and pay the compensation for any advisors engaged by the Committee; and

(d) to communicate directly with the internal and external auditor of the Company.

This Charter supersedes and replaces all prior charters and other terms of reference pertaining to the Committee.

APPENDIX “F”

THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Audited Financial Statements for the year ended July 31, 2014

THC BIOMED LTD.

Financial Statements

For the Year Ended July 31, 2014

(Expressed in Canadian Dollars)

THC BIOMED LTD.

Financial Statements

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of THC BioMed Ltd.

We have audited the accompanying financial statements of THC BioMed Ltd. which comprise the statement of financial position as at July 31, 2014 and the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of THC BioMed Ltd. as at July 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of THC BioMed Ltd. to continue as a going concern.

Wolrige Mahon LLP

Chartered Accountants
Vancouver, British Columbia
March 20, 2015

THC BIOMED LTD.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at		(Audited) July 31 2014		(Unaudited) July 31 2013
Assets				
Current				
Cash	**$**	**-**	$	18
Goods and services tax receivable		**17,471**		10,124
Advances to related party (note 8)		**1,241**		-
Prepaid expenses and deposits		**6,010**		2,798
		24,722		12,940
Non-current				
Property and equipment (note 4)		**449,700**		391,132
	$	**474,422**	$	404,072
Liabilities				
Current				
Cheques written in excess of bank balance	**$**	**13,186**	$	-
Accounts payable and accrued liabilities		**33,729**		11,710
Current portion of mortgage payable (note 5)		**21,327**		20,337
Advances from related parties (note 8)		**137,109**		181,626
		205,351		213,673
Non-current				
Promissory note payable (note 6)		**173,227**		-
Mortgage payable (note 5)		**202,947**		221,506
		376,174		221,506
		581,525		435,179
Shareholders' Equity (Deficiency)				
Share capital - Class A (note 7)		**108**		1
Share capital - Class B (note 7)		**137,998**		-
Accumulated deficit		**(245,209)**		(31,108)
		(107,103)		(31,107)
	$	**474,422**	$	404,072

Nature and continuance of operations (note 1)
Subsequent events (note 11)

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 financial statements.

THC BIOMED LTD.

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	(Audited) For the year ended July 31 2014		(Unaudited) July 31 2013	
Administrative expenses				
Advertising and promotion	$	**3,914**	$	3,040
Automobile expenses		**19,782**		9,889
Bank charges and interest		**6,536**		1,153
Consulting		**4,434**		-
Depreciation		**1,356**		573
Laboratory expenses		**43,861**		-
Legal and accounting		**32,963**		4,248
Licenses, dues, and subscriptions		**3,620**		1,644
Office and administration		**22,318**		6,253
Salaries and benefits (note 8)		**66,797**		-
Telephone		**1,574**		-
Travel		**332**		4,308
Loss before other items		**(207,487)**		(31,108)
Other expense item				
Foreign exchange loss		**6,614**		-
Net and comprehensive loss for the year	$	**(214,101)**	$	(31,108)
Basic and diluted loss per share	$	**(107)**	$	(311)
Weighted average number of shares outstanding		**2,005**		100

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

THC BIOMED LTD.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares		Share Capital			(Audited)
	Class A	Class B	Class A	Class B	Deficit	Total Equity
Balance at July 31, 2013	100	-	$ 1	$ -	$ (31,108)	$ (31,107)
Shares cancelled	(100)	-	(1)	-	-	(1)
Shares issued for cash	10,800	-	108	-	-	108
Shares issued for cash	-	720	-	149,998	-	149,998
Share issuance costs	-	-	-	(12,000)	-	(12,000)
Loss for the year	-	-	-	-	(214,101)	(214,101)
Balance at July 31, 2014	**10,800**	**720**	**$ 108**	**$ 137,998**	**$ (245,209)**	**$ (107,103)**

	Number of Shares		Share Capital			(Unaudited)
	Class A	Class B	Class A	Class B	Deficit	Total Equity
Balance at August 22, 2012	-	-	$ -	$ -	$ -	$ -
Shares issued for cash	100	-	1	-	-	1
Loss for the year	-	-	-	-	(31,108)	(31,108)
Balance at July 31, 2013	100	-	$ 1	$ -	$ (31,108)	$ (31,107)

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

THC BIOMED LTD.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	(Audited) For the year ended July 31 2014	(Unaudited) For the year ended July 31 2013
Cash provided by (used for)		
Operating activities		
Net loss for the year	$ (214,101)	$ (31,108)
Add items not affecting cash		
Depreciation	1,356	573
Foreign exchange loss	6,614	-
Interest accrued	5,415	364
Salaries and benefits accrued	7,777	-
	(192,939)	(30,171)
Net change in non-cash working capital	3,683	(1,212)
	(189,256)	(31,383)
Financing activities		
Advances from (repaid to) related parties	(44,518)	181,626
Issuance of shares for cash, net of share issuance costs	138,106	1
Mortgage principal repaid	(21,619)	(16,124)
Promissory note issued	162,181	-
	234,150	165,503
Investing activities		
Advances to related party	(1,241)	-
Acquisition of property and equipment	(57,219)	(134,102)
	(58,460)	(134,102)
Effect of foreign exchange translation on cash	362	-
Net increase (decrease) in cash	(13,204)	18
Cash, beginning of year	18	-
Cash (cheques written in excess of bank balance), end of year	$ (13,186)	$ 18

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Ltd. (the “Company”) (formerly THC Medical Systems Ltd.) is a private company incorporated under the Business Corporations Act of the Province of British Columbia on August 22, 2012.

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 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. Its sister company, THC Meds Inc., also has an application with Health Canada for a producer’s license under MMPR that intends to distribute medical marijuana to the general public.

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 10c.

2. BASIS OF PREPARATION

a) Basis of presentation

These financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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.

2. BASIS OF PREPARATION (continued)

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 year ended July 31, 2014, impairments of non-financial assets were $Nil (July 31, 2013 – $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.

(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 advances to related party 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets

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 or 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.

(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, promissory note payable, 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Equipment

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

The cost of an item of equipment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Equipment (continued)

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

Building	4%
Furniture and equipment	20%
Computer equipment	55%
Warehouse equipment	20%

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 years 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 year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) New accounting standards and interpretations not yet adopted (continued)

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 AND EQUIPMENT

	Land	Buildings	Warehouse Equipment	Warehouse Computer Equipment	Office Furniture and Equipment	Office Computer Equipment	Total
Cost							
Balance at August 22, 2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	171,388	212,449	4,455	-	2,087	1,326	391,705
Balance at July 31, 2013	171,388	212,449	4,455	-	2,087	1,326	391,705
Additions	10,189	42,577	2,157	5,001	-	-	59,924
Balance at July 31, 2014	**$ 181,577**	**$ 255,026**	**$ 6,612**	**$ 5,001**	**$ 2,087**	**$ 1,326**	**$ 451,629**
Accumulated Depreciation							
Balance at August 22, 2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation for the year	-	-	-	-	209	364	573
Balance at July 31, 2013	-	-	-	-	209	364	573
Depreciation for the year	-	-	-	452	375	529	1,356
Balance at July 31, 2014	**$ -**	**$ -**	**$ -**	**$ 452**	**$ 584**	**$ 893**	**$ 1,929**
Carrying Amounts							
At July 31, 2013	$ 171,388	$ 212,449	$ 4,455	$ -	$ 1,878	$ 962	$ 391,132
At July 31, 2014	**$ 181,577**	**$ 255,026**	**$ 6,612**	**$ 4,549**	**$ 1,503**	**$ 433**	**$ 449,700**

The Company acquired the property to house their warehouse and laboratory facilities in September of 2012 for $291,526, of which $162,140 was attributed to the land and $129,386 to the building. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized to date along with the mortgage interest of $7,479 for the land and $5,672 for the building.

5. MORTGAGE PAYABLE

The Company has a mortgage payable on its property in the principal amount of $255,000 with interest at 5.50% per annum compounded semi-annually, with monthly payments of $2,760 due on the 21st day of each month. The mortgage matures on September 21, 2015.

6. PROMISSORY NOTE PAYABLE

The Company issued a promissory note in the principal amount of up to US$1,000,000 on December 13, 2013 with interest at 5% per annum, unless in default and then the interest rate is 10% per annum. The note and interest are due on December 10, 2018. This note is secured by a Security Agreement which grants to the lender a security interest in all of the borrower's assets as collateral. At July 31, 2014, US$155,000 or CDN$168,795 had been advanced with accrued interest of US$4,070 or CDN$4,432 included in the amount of the promissory note payable (repaid subsequent to year end—see note 11).

(Expressed in Canadian Dollars)

7. 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.

7. SHARE CAPITAL (continued)

a) Common shares (continued)

Issued:

i) Class A common shares

	Number	Issued Price	Amount
Balance at August 22, 2012	-	$ -	$ -
Shares issued for cash	100	0.01	1
Balance at July 31, 2013	100	0.01	1
Shares cancelled	(100)	0.01	(1)
Shares issued for cash	10,800	0.01	108
Balance at July 31, 2014	**10,800**	**$ 0.01**	**$ 108**

On August 22, 2012, 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, the 100 Class A common shares were cancelled and 10,800 Class A common shares were issued for $0.01 per share for gross proceeds of $108.

(Expressed in Canadian Dollars)

ii) Class B common shares

	Number		Issued Price		Amount
Balance at July 31, 2013	-	$	-	$	-
Shares issued for cash	720		208.33		149,998
Share issuance costs	-		-		(12,000)
Balance at July 31, 2014	**720**	**$**	**208.33**	**$**	**137,998**

On June 5, 2014, 120 Class B common shares were issued for $208.33 per share for gross proceeds of $25,000. A finder's fee of 8% was paid in the amount of $2,000.

On June 9, 2014, 360 Class B common shares were issued for $208.33 per share for gross proceeds of $74,999. A finder's fee of 8% was paid in the amount of $6,000.

On July 4, 2014, 240 Class B common shares were issued for $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

8. RELATED PARTY TRANSACTIONS

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 for the year ended July 31, 2014:

		July 31, 2014 Salaries
Hee Jung Chun	$	15,590
John Miller		15,590
	$	31,180

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 July 31, 2014, the Company owed them $137,109 (July 31, 2013 - $181,626) which is reported as advances from related parties.

At July 31, 2014, the Company advanced $1,241 to THC Meds Inc., a private company with common directors, which is included in advances to related party.

These amounts are unsecured, non-interest bearing, and due on demand.

(Expressed in Canadian Dollars)

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	July 31 2014	July 31 2013
Loss before income taxes	$ (214,101)	$ (31,108)
Statutory Canadian corporate tax rate	26.00%	25.33%
Income tax recovery at statutory rates	$ (55,666)	$ (7,881)
Non-deductible items for tax purposes	460	347
Adjustments to deferred tax assets and liabilities for substantively enacted changes in tax laws and rates	-	(239)
Tax benefits not recognized	55,206	7,773
	$ -	$ -

9. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

	July 31 2014	July 31 2013
Deferred income tax assets		
Property and equipment	$ (20,403)	$ (11,251)
Cumulative eligible capital	59	64
Share issuance costs	624	-
Non-capital losses available for future years	83,494	18,961
	63,774	7,774
Tax benefits not recognzied	(63,774)	(7,774)
	$ -	$ -

At July 31, 2014 the Company has non-capital tax losses of approximately $321,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	Amount
2033	$ 78,000
2034	243,000
	$ 321,000

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of advances to related party, cash and cheques written in excess of bank balance, 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:

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Fair value hierarchy (continued)

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 year will be through debt or equity financing (note 11). Cash on hand at July 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.

(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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(a) Interest rate risk (continued)

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 and promissory note payable bear interest at fixed rates.

(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 exposed to foreign currency risk with respect to its promissory note payable that is denominated in US dollars.

		July 31 2014 USD		July 31 2013 USD
Promissory note payable and accrued interest	**$**	**159,070**	$	-

At July 31, 2014, financial instruments were converted at a rate of $1.00 Canadian to US$1.089. A 10% change in the exchange rate would impact net loss by approximately $16,000.

(c) 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 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.

11. SUBSEQUENT EVENTS

On August 4, 2014, the Company issued 240 Class B common shares at $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

On September 4, 2014, the Company issued 240 Class B common shares at $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

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

On October 17, 2014, the Company repaid the promissory note payable in full with a payment of US$161,434 or CDN$183,452 representing principal of US$155,000 or CDN$176,054 and interest of US$6,434 or CDN$7,398.

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 BioMed Ltd. and a related company, THC Meds Inc. 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 Meds Inc. 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 BioMed Ltd. or THC Meds Inc.; and 10,223,751 common shares of Thelon to be released pending the removal of certain potential liabilities of THC BioMed Ltd. and THC Meds Inc. 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 Meds Inc. 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 THC Meds Inc. dated April 25, 2014; and one between Jacob Securities Inc. and the Company 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.

APPENDIX "G"

THC BioMed Ltd. (formerly T.H.C. Medical Systems Ltd.) Unaudited Financial Statements for the Three Months Ended October 31, 2014

THC BIOMED LTD.

Condensed Interim Financial Statements

For the Three Months Ended October 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

THC BIOMED LTD.

Condensed Interim Financial Statements

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

THC BIOMED LTD.

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

As at	(Unaudited) October 31 2014	(Audited) July 31 2014
Assets		
Current		
Cash	$ **9,595**	$ -
Amounts receivable	**4,768**	-
Goods and services tax receivable	**23,360**	17,471
Advances to related party (note 7)	**1,241**	1,241
Prepaid expenses and deposits	**7,974**	6,010
	46,938	24,722
Non-current		
Property and equipment (note 4)	**484,452**	449,700
	$ **531,390**	$ 474,422
Liabilities		
Current		
Cheques written in excess of bank balance	$ **-**	$ 13,186
Accounts payable and accrued liabilities	**51,707**	33,729
Current portion of mortgage payable (note 5)	**219,079**	21,327
Advances from related parties (note 7)	**117,972**	137,109
	388,758	205,351
Non-current		
Promissory note payable	**-**	173,227
Mortgage payable (note 5)	**-**	202,947
	-	376,174
	388,758	581,525
Shareholders' Equity		
Share capital - Class A (note 6)	**331,307**	108
Share capital - Class B (note 6)	**229,996**	137,998
Accumulated deficit	**(418,671)**	(245,209)
	142,632	(107,103)
	$ **531,390**	$ 474,422

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 BIOMED LTD.

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

	(Unaudited) For the three months ended October 31 2014	October 31 2013
Administrative expenses		
Advertising and promotion	$ 814	$ 1,095
Automobile expenses	6,896	3,251
Bank charges and interest	4,320	211
Consulting	25,338	-
Depreciation	324	227
Laboratory expenses	16,943	9,717
Legal and accounting	24,386	936
Licenses, dues, and subscriptions	1,240	631
Office and administration	7,883	3,742
Salaries and benefits (note 7)	70,972	-
Telephone	156	-
Travel	6,770	305
Loss before other items	(166,042)	(20,115)
Other expense item		
Foreign exchange loss	7,420	-
Net and comprehensive loss for the period	$ (173,462)	$ (20,115)
Basic and diluted loss per share	$ (14)	$ (201)
Weighted average number of shares outstanding	12,791	100

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

THC BIOMED LTD.

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

	Number of Shares		Share Capital			(Unaudited)
	Class A	Class B	Class A	Class B	Deficit	Total Equity
Balance at July 31, 2014	10,800	720	$ 108	$ 137,998	$ (245,209)	$ (107,103)
Shares issued for cash	1,793	-	359,999	-	-	359,999
Shares issued for cash	-	480	-	99,998	-	99,998
Share issuance costs	-	-	(28,800)	(8,000)	-	(36,800)
Loss for the year	-	-	-	-	(173,462)	(173,462)
Balance at October 31, 2014	**12,593**	**1,200**	**$ 331,307**	**$ 229,996**	**$ (418,671)**	**$ 142,632**

	Number of Shares		Share Capital			(Unaudited)
	Class A	Class B	Class A	Class B	Deficit	Total Equity
Balance at July 31, 2013	100	-	$ 1	$ -	$ (31,108)	$ (31,107)
Shares issued for cash	-	-	-	-	-	-
Loss for the year	-	-	-	-	(20,115)	(20,115)
Balance at October 31, 2013	100	-	$ 1	$ -	$ (51,223)	$ (51,222)

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

THC BIOMED LTD.

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

	(Unaudited) For the three months ended October 31 2014	October 31 2013
Cash provided by (used for)		
Operating activities		
Net loss for the period	$ (173,462)	$ (20,115)
Add items not affecting cash		
Depreciation	324	227
Foreign exchange loss	7,420	-
Interest accrued	330	1,437
Payroll accrued	6,975	-
	(158,413)	(18,451)
Net change in non-cash working capital	(1,618)	(2,686)
	(160,031)	(21,137)
Financing activities		
Advances from (repaid to) related parties	(19,137)	40,614
Issuance of shares for cash, net of share issuance costs	423,197	-
Mortgage proceeds repaid	(9)	(3,271)
Promissory note repaid	(173,227)	-
	230,824	37,343
Investing activities		
Acquisition of property and equipment	(40,592)	(16,330)
	(40,592)	(16,330)
Effect of foreign exchange translation on cash	(7,420)	-
Net increase (decrease) in cash	22,781	(124)
Cash (cheques written in excess of bank balance), beginning of period	(13,186)	18
Cash (cheques written in excess of bank balance), end of period	$ 9,595	$ (106)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Ltd. (the "Company") (formerly THC Medical Systems Ltd.) is a private company incorporated under the Business Corporations Act of the Province of British Columbia on August 22, 2012.

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 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. Its sister company, THC Meds Inc., also has an application with Health Canada for a producer's license under Canada's MMPR that intends to distribute medical marijuana to the general public.

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.

b) Foreign currencies

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

2. BASIS OF PREPARATION (continued)

b) Foreign currencies (continued)

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 (October 31, 2013 – $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, amounts receivable, and advances to related party 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, mortgage payable, and advances from related parties 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, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Equipment

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

The cost of an item of equipment 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.

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

Building	4%
Furniture and equipment	20%
Computer equipment	55%
Warehouse equipment	20%

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 years 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 year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 AND EQUIPMENT

	Land	Buildings	Warehouse Equipment	Warehouse Computer Equipment	Office Furniture and Equipment	Office Computer Equipment	Total
Cost							
Balance at July 31, 2013	$ 171,388	$ 212,449	$ 4,455	$ -	$ 2,087	$ 1,326	$ 391,705
Additions	10,189	42,577	2,157	5,001	-	-	59,924
Balance at July 31, 2014	181,577	255,026	6,612	5,001	2,087	1,326	451,629
Additions	1,753	24,583	3,168	2,148	3,424	-	35,076
Balance at October 31, 2014	**$ 183,330**	**$ 279,609**	**$ 9,780**	**$ 7,149**	**$ 5,511**	**$ 1,326**	**$ 486,705**
Accumulated Depreciation							
Balance at July 31, 2013	$ -	$ -	$ -	$ -	$ 209	$ 364	$ 573
Depreciation for the year	-	-	-	452	375	529	1,356
Balance at July 31, 2014	-	-	-	452	584	893	1,929
Depreciation for the period	-	-	-	104	161	59	324
Balance at October 31, 2014	**$ -**	**$ -**	**$ -**	**$ 556**	**$ 745**	**$ 952**	**$ 2,253**
Carrying Amounts							
At July 31, 2014	$ 181,577	$ 255,026	$ 6,612	$ 4,549	$ 1,503	$ 433	$ 449,700
At October 31, 2014	**$ 183,330**	**$ 279,609**	**$ 9,780**	**$ 6,593**	**$ 4,766**	**$ 374**	**$ 484,452**

The Company acquired the property to house their warehouse and laboratory facilities in September of 2012 for $291,526, of which $162,140 was attributed to the land and $129,386 to the building. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized to date along with the mortgage interest of $9,424 (July 31, 2014 - $7,479) for the land and $7,147 (July 31, 2014 - $5,672) for the building.

5. MORTGAGE PAYABLE

The Company has a mortgage payable on its property in the principal amount of $255,000 with interest at 5.50% per annum compounded semi-annually, with monthly payments of $2,760 due on the 21st day of each month. The mortgage matures on September 21, 2015.

(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 July 31, 2013	100	$ 0.01	$ 1.00
Shares cancelled	(100)	0.01	(1)
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 August 22, 2012, 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, the 100 Class A common shares were cancelled and 10,800 Class A common shares were issued for $0.01 per share for gross proceeds of $108.

On September 29, 2014, the Company issued 1,793 Class A common shares at $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 July 31, 2013	-	$	-	$	-
Shares issued for cash	720		208.33		149,998
Share issuance costs	-		-		(12,000)
Balance at July 31, 2014	720		208.33		137,998
Shares issued for cash	480		208.33		99,998
Share issuance costs	-		-		(8,000)
Balance at October 31, 2014	**1,200**	**$**	**-**	**$**	**229,996**

On June 5, 2014, 120 Class B common shares were issued for $208.33 per share for gross proceeds of $25,000. A finder's fee of 8% was paid in the amount of $2,000.

On June 9, 2014, 360 Class B common shares were issued for $208.33 per share for gross proceeds of $74,999. A finder's fee of 8% was paid in the amount of $6,000.

On July 4, 2014, 240 Class B common shares were issued for $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

On August 4, 2014, the Company issued 240 Class B common shares at $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

On September 4, 2014, the Company issued 240 Class B common shares at $208.33 per share for gross proceeds of $49,999. A finder's fee of 8% was paid in the amount of $4,000.

7. RELATED PARTY TRANSACTIONS

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 for the three months ended October 31, 2014:

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (continued)

		October 31, 2014 Salaries
Hee Jung Chun	$	32,480
John Miller		32,480
	$	64,960

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 $117,972 (July 31, 2014 - $137,109) which is reported as advances from related parties.

At October 31, 2014 the Company advanced $1,241 (July 31, 2014 - $1,241) to THC Meds Inc., a private company with common directors, which is reported as advance to related party.

These amounts 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 and cheques written in excess of bank balance, advances to related party, 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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

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 year 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.

(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 and promissory note payable bear interest at fixed rates.

(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 amounts denominated in another currency.

(c) 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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(c) Capital risk management (continued)

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 of 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 BioMed Ltd. and a related company, THC Meds Inc. 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 Meds Inc. 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 Medical Systems Ltd. or THC Meds Inc.; and 10,223,751 common shares of Thelon to be released pending the removal of certain potential liabilities of THC BioMed Ltd. and THC Meds Inc. 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 Meds Inc. 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 THC Meds Inc. dated April 25, 2014; and one between Jacob Securities Inc. and the Company 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.

APPENDIX “H”

THC Meds Inc. Audited Financial Statements for the Year Ended July 31, 2014

THC MEDS INC.

Financial Statements

For the Period Ended July 31, 2014

(Expressed in Canadian Dollars)

THC MEDS INC.

Financial Statements

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of THC Meds Inc.

We have audited the accompanying financial statements of THC Meds Inc. which comprise the statement of financial position as at July 31, 2014 and the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the period from incorporation on December 13, 2013 to July 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of THC Meds Inc. as at July 31, 2014 and its financial performance and its cash flows for the period from incorporation on December 13, 2013 to July 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of THC Meds Inc. to continue as a going concern.

Wolrige Mahon LLP

Chartered Accountants
Vancouver, British Columbia
March 20, 2015

THC MEDS INC.

Statement of Financial Position
(Expressed in Canadian Dollars)

As at		July 31 2014
Assets	$	-
Liabilities		
Current		
Advances from related party (note 5)	$	1,241
		1,241
Shareholders' Equity (Deficiency)		
Share capital - Class A (note 4)		108
Share capital - Class B (note 4)		7
Subscriptions receivable		(115)
Accumulated deficit		(1,241)
		(1,241)
	$	-

Nature and continuance of operations (note 1)
Subsequent events (note 8)

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

THC MEDS INC.

Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

		Period Ended July 31 2014
Administrative expenses		
Legal	$	1,241
Net and comprehensive loss for the period	$	(1,241)
Basic and diluted loss per share	$	(0.41)
Weighted average number of shares outstanding		3,052

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

THC MEDS INC.

Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares		Share Capital				
	Class A	Class B	Class A	Class B	Subscription Receivable	Deficit	Total Equity (Deficiency)
Balance at December 13, 2013	-	-	$ -	$ -	$ -	$ -	$ -
Shares issued for cash	10,800	720	108	7	(115)	-	-
Loss for the period	-	-	-	-	-	(1,241)	(1,241)
Balance at July 31, 2014	**10,800**	**720**	**$ 108**	**$ 7**	**$ (115)**	**$ (1,241)**	**$ (1,241)**

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

THC MEDS INC.

Statement of Cash Flows
(Expressed in Canadian Dollars)

		Period Ended July 31 2014
Cash provided by (used for)		
Operating activities		
Net loss for the period	$	(1,241)
		(1,241)
Financing activities		
Advances from related party		1,241
		1,241
Net increase in cash		-
Cash, beginning of period		-
Cash, end of period	$	-

The accompanying notes are an integral part of these 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'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 7c.

2. BASIS OF PREPARATION

a) Basis of presentation

These financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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.

2. BASIS OF PREPARATION (continued)

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. The Company has not identified any critical estimates or judgments at July 31, 2014.

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 not classified any assets 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**

(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 and advances from related party as other financial liabilities.

b) **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.

c) **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.

d) **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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) Segment reporting

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

g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) New accounting standards and interpretations not yet adopted (continued)

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.

4. 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.

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

a) Common shares (continued)

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**

On May 29, 2014, 100 common shares were issued for $0.01 per share for gross proceeds of $1 that was collected subsequent to the period end. 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 that was collected subsequent to the period end.

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**

On June 5, 2014, 120 Class B common shares were issued for $0.01 per share for gross proceeds of $1 that was collected subsequent to the period end.

On June 11, 2014, 360 Class B common shares were issued for $.01 per share for gross proceeds of $4 that was collected subsequent to the period end.

On June 30, 2014, 240 Class B common shares were issued for $.01 per share for gross proceeds of $2 that was collected subsequent to the period end.

(Expressed in Canadian Dollars)

5. 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 period ended July 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 July 31, 2014, the Company was owed $108 from Mr. Miller for the Class A shares issued to him at $0.01 per share.

At July 31, 2014, the Company owed $1,241 to THC BioMed Ltd., a private company with common directors, which is the amount in advances from related party. This amount is unsecured, non-interest bearing, and due on demand.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		July 31 2014
Loss before income taxes	$	(1,241)
Statutory Canadian corporate tax rate		26.00%
Income tax recovery at statutory rates	$	(323)
Non-deductible items for tax purposes		-
Tax benefits not recognized		323
	$	-

At July 31, 2014 the Company has no non-capital tax losses available for carry-forward to reduce future periods' income taxes as the Company's first taxation year end is November 30, 2014.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of 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:

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Fair value hierarchy (continued)

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 will limit 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 will manage liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming period will be through debt or equity financing (note 8). Cash on hand at July 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.

(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 not exposed to material interest rate price risk.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(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.

8. SUBSEQUENT EVENTS

On August 4, 2014, the Company issued 240 Class B common shares at $0.01 per share for gross proceeds of $2.

On August 22, 2014, the Company issued 240 Class B common shares at $0.01 per share for gross proceeds of $2.

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

8. SUBSEQUENT EVENTS (continued)

On October 2, 2014, the Company acquired a 3,000 square foot facility in Kelowna, British Columbia to house their warehouse and laboratory for $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.

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 BioMed Ltd. or THC Meds Inc.; 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.

APPENDIX “I”

THC Meds Inc. Unaudited Financial Statements for the Three Months Ended October 31, 2014

THC MEDS INC.

Condensed Interim Financial Statements

For the Three Months Ended October 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

THC MEDS INC.

Condensed Interim Financial Statements

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.