THC BIOMED INTL LTD.

(formerly Thelon Capital Ltd.)

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

THC BIOMED INTL LTD.
(formerly Thelon Capital Ltd.)

Condensed Interim Consolidated 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 consolidated 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 consolidated financial statements of THC BioMed Intl Ltd. (formerly Thelon Capital Ltd.) for the nine months ended April 30, 2015 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated 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 consolidated financial statements.

THC BIOMED INTL LTD.
(formerly Thelon Capital Ltd.)

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

As at	(Unaudited) April 30 2015	(Audited) July 31 2014
Assets		
Current		
Cash	$ 1,947	$ -
Amounts receivable	2,400	-
Goods and services tax receivable	57,061	17,471
Investment held for sale (note 5)	6,300	-
Advances to related parties (note 12)	106,509	-
Prepaid expenses and deposits (note 6)	55,288	6,010
	229,505	23,481
Non-current		
Property and equipment (note 7)	996,861	449,700
	$ 1,226,366	$ 473,181
Liabilities		
Current		
Cheques written in excess of bank balance	$ -	$ 13,186
Accounts payable and accrued liabilities	513,436	33,729
Current portion of mortgages payable (note 8)	26,290	21,327
Advances from related parties (note 12)	124,793	137,109
	664,519	205,351
Non-current		
Promissory notes payable (note 9 and 12)	509,378	173,227
Mortgages payable (note 8)	433,487	202,947
	942,865	376,174
	1,607,384	581,525
Shareholders' Equity		
Share capital (note 10)	1,734,048	138,221
Share subscriptions receivable	-	(115)
Accumulated deficit	(2,115,066)	(246,450)
	(381,018)	(108,344)
	$ 1,226,366	$ 473,181

Nature and continuance of operations (note 1)
Contingent liability (note 13)
Subsequent events (note 17)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on June 25, 2015. They are signed on the Company's behalf by:

"John Miller" Director

"Geoff Watson" Director

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

THC BIOMED INTL LTD.
(formerly Thelon Capital Ltd.)

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

	(Unaudited) For the three months ended		(Unaudited) For the nine months ended	
	April 30 2015	April 30 2014	**April 30 2015**	April 30 2014
Administrative expenses				
Advertising and promotion	**$ 25,603**	$ 995	**$ 31,816**	$ 3,460
Automobile expenses	**6,476**	7,992	**20,414**	18,883
Bank charges and interest	**11,839**	470	**18,447**	1,052
Consulting (note 12)	**40,831**	-	**113,856**	4,328
Depreciation	**671**	200	**1,756**	654
Investor relation expenses	**-**	-	**3,002**	-
Laboratory expenses	**8,526**	2,172	**42,106**	22,814
Legal and accounting	**207,671**	6,812	**282,729**	21,181
Licenses, dues, and subscriptions	**-**	338	**1,438**	2,378
Office and administration (note 12)	**17,497**	6,749	**46,160**	20,705
Salaries and benefits (note 12)	**58,991**	12,243	**209,077**	16,543
Telephone	**1,501**	532	**3,858**	1,119
Transfer agent and filing fees	**16,682**	-	**22,454**	-
Travel	**10,316**	685	**29,219**	1,621
Loss before other items	**406,604**	39,188	**826,332**	114,738
Other (income) expense items				
Foreign exchange loss	**-**	-	**7,420**	-
Interest income	**(69)**	-	**(84)**	-
Listing expense (note 2)	**-**	-	**1,031,798**	-
Unrealized loss on investment held for sale (note 4)	**3,150**	-	**3,150**	-
	3,081	**-**	**1,042,284**	**-**
Net and comprehensive loss for the period	**$ (409,685)**	$ (39,188)	**$ (1,868,616)**	$ (114,738)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)	**$ (0.05)**	$ (0.00)
Weighted average number of shares outstanding	**75,674,620**	47,554,560	**40,458,718**	47,554,560

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

THC BIOMED INTL LTD.
(formerly Thelon Capital Ltd.)

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

	Number of Shares	Share Capital	Share Subscriptions Receivable	Deficit	(Unaudited) Total Equity
Balance at July 31, 2013	100	$ 1	$ -	$ (31,108)	$ (31,107)
Loss for the period	-	-	-	(114,738)	(114,738)
Balance at April 30, 2014	100	$ 1	$ -	$ (145,846)	$ (145,845)
Balance at July 31, 2014	23,040	$ 138,221	$ (115)	$ (246,450)	$ (108,344)
Shares issued as a private company	4,546	820,000	-	-	820,000
Share issuance costs as a private company	-	(65,600)	-	-	(65,600)
Share subscription received	-	-	115	-	115
Share restructuring (note 2)	56,948,660	-	-	-	-
Shares issued for acquisition of Thelon Capital Ltd. (note 2)	18,698,374	841,427	-	-	841,427
Loss for the period	-	-	-	(1,868,616)	(1,868,616)
Balance at April 30, 2015	**75,674,620**	**$ 1,734,048**	**$ -**	**$ (2,115,066)**	**$ (381,018)**

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

THC BIOMED INTL LTD.
(formerly Thelon Capital Ltd.)

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

	(Unaudited) For the three months ended April 30 2015	(Unaudited) For the three months ended April 30 2014	(Unaudited) For the six months ended April 30 2015	(Unaudited) For the six months ended April 30 2014
Cash provided by (used for)				
Operating activities				
Net loss for the period	**$ (409,685)**	$ (39,188)	**$ (1,868,616)**	$ (114,738)
Add items not affecting cash				
Accrued interest revenue	**11**	-	**-**	-
Accrued liabilities	**7,637**	2,486	**13,729**	6,681
Depreciation	**671**	200	**1,756**	654
Foreign exchange loss	**-**	-	**7,420**	-
Listing expenses	**-**	-	**1,031,798**	-
Unrealized loss on investment held for sale	**3,150**	-	**3,150**	-
	(398,216)	(36,502)	**(810,763)**	(107,403)
Net change in non-cash working capital	**247,565**	(161)	**305,720**	(11,916)
	(150,651)	(36,663)	**(505,043)**	(119,319)
Financing activities				
Advances from (repaid to) related parties	**21,229**	65,327	**104,038**	74,803
Issuance of shares for cash, net of share issuance costs	**-**	-	**892,619**	-
Share subscription received	**-**	-	**115**	-
Mortgage proceeds repaid	**(17,516)**	(6,964)	**(23,280)**	(16,922)
Promissory notes issued (repaid)	**16,722**	25,000	**(156,505)**	140,000
	20,435	83,363	**816,987**	197,881
Investing activity				
Acquisition of property and equipment	**(17,998)**	(65,490)	**(289,391)**	(89,437)
	(17,998)	(65,490)	**(289,391)**	(89,437)
Effect of foreign exchange translation on cash	**-**	-	**(7,420)**	-
Net increase (decrease) in cash	**(148,214)**	(18,790)	**15,133**	(10,875)
Cash (cheques written in excess of bank balance), beginning of period	**150,161**	7,933	**(13,186)**	18
Cash (cheques written in excess of bank balance), end of period	**$ 1,947**	$ (10,857)	**$ 1,947**	$ (10,857)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Intl Ltd. (the “Company”), formerly Thelon Capital Ltd. (“Thelon) was formed by a reverse take-over (“RTO”) on January 14, 2015, by the shareholders of THC BioMed Ltd. and THC Meds Inc. (collectively the “THC Companies”).

THC BioMed Intl Ltd. 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 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 consolidated financial statements have been adjusted to reflect the share consolidation on a retrospective basis. On April 29, 2015, the Company was listed and began trading on the Canadian Securities Exchange (“CSE”) under the symbol C.THC.

The THC Companies have applications with Health Canada for a producer’s license under Canada’s Marihuana for Medical Purposes Regulations (“MMPR”). THC BioMed Ltd. 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. THC Meds Inc. intends to distribute medical marijuana to the general public.

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 Production and Branding Agreement with Trans-Medica Ltd. to provide consulting services and utilize Trans-Medica Ltd.’s proprietary Vertical Grow System for total consideration of $500,000 to the Company.

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

These condensed interim consolidated 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 commence profitable operations in the future. 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 condensed interim consolidated 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 16c.

(Expressed in Canadian Dollars)

2. REVERSE TAKE-OVER OF THELON CAPITAL LTD.

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC BioMed Ltd. and THC Meds Inc. and the shareholders of the THC 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 and on January 22, 2015, 12,363,510 common shares of the Company were issued. There are an additional 26,823,751 shares that may be issued to the former shareholders of the THC 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 THC Companies.

As a result of the RTO transaction, the THC Companies' shareholders control the Company and Thelon's name was changed to THC BioMed Intl Ltd. Since the mining exploration business of Thelon had been suspended, Thelon did not meet the definition of a business and the transaction was accounted for as the purchase of Thelon's net assets by the THC Companies. The net asset purchase price was determined as an equity settled share-based payment under *IFRS 2, Share-Based Payment*, at the fair value of the equity instruments of the Company retained by the shareholders of Thelon, based on the market value of the Company's common shares on the date the Company's stock last traded.

The transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid and the net liabilities acquired has been recognized as listing expenses in the consolidated statement of loss and comprehensive loss. There are no costs pertaining to the former mineral operations of Thelon after the date of the RTO and there are no prior operating revenues or costs of Thelon included in these condensed interim consolidated financial statements.

The breakdown of listing expenses in the consolidated statement of loss and comprehensive loss is as follows:

Purchase price of equity acquired		
18,698,374 common shares of Thelon Capital Ltd. at $0.045 per share	$	841,427
Total of share-based payments		841,427
Cash acquired		(267,398)
Other working capital deficit acquired		457,769
Listing expenses	$	1,031,798

3. BASIS OF PREPARATION

a) Basis of presentation

These condensed interim consolidated 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 consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and its two subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

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. 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.

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.

3. 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 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 nine months ended April 30, 2015, impairments of non-financial assets were $Nil (April 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 nine months ended April 30, 2015, the Company recognized share-based compensation expense of $Nil (April 30, 2014 - $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) Acquisition of THC BioMed Ltd. and THC Meds Inc.

The determination that the acquisition of the THC Companies constituted a Reverse Take-Over transaction and the subsequent allocation of the listing expense required judgment. IFRS was used as the guideline for this determination and subsequent allocation.

(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. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

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

(c) 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.

4. 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.

4. 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 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:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(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.

(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, mortgages 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) Biological assets and inventory

The Company's biological assets and inventory will include: biological assets which are marijuana plants that are being cultivated to be harvested for their flowers, which are subsequently dried to produce the finished product and include the harvest-in-process and its mother plants; agricultural produce which are harvested marijuana flowers prior to completion of the drying, grading, and testing processes; and finished product which are purchased materials and packaged marijuana.

The value of biological assets is measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, unless the Company is unable to reliably measure the fair value thereof as prescribed by IAS 41 (paragraph 30) as amended.

The value of agricultural produce is measured on initial recognition as its fair value less costs to sell at the point of harvest. The value of finished goods is measured at the lower of cost or net realizable value, wherein the cost of the dried marijuana contained therein includes the value of the agricultural produce at the date of its conversion.

Any write down of inventories to net realizable value if below cost are recorded in the statement of loss and comprehensive loss at the time they are determined.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and 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.

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 property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

IAS 41, as amended, requires that bearer plants be recognized as property and equipment. A bearer plant is a living plant used in the production or supply of agricultural produce and is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce except for incidental scrap sales. Mother plants which are used for cuttings to initiate the marijuana growing process have a useful life of approximately nine months; accordingly, mother plants are not considered bearer plants. Mother plants are recognized as biological assets.

Equipment is 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:

Buildings	4%
Computer equipment	55%
Warehouse and office equipment	20%
Furniture and fixtures	20%
Software	100%

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 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.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

l) Segment reporting

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

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

5. INVESTMENT HELD FOR SALE

Number of Shares		**April 30, 2015**		July 31, 2014	
		Cost	**FMV**	Cost	FMV
315,000	Zadar Ventures Ltd.	**$ 81,900**	**$ 6,300**	$ -	$ -

On September 25, 2013, Thelon 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 Thelon on October 2, 2013.

(Expressed in Canadian Dollars)

6. DEPOSITS

On April 16, 2014, Thelon 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. Thelon 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.

7. PROPERTY AND EQUIPMENT

	Land	Buildings	Warehouse Equipment	Warehouse Computer Equipment	Office Furniture and Equipment	Office Computer Equipment	Software	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	212,776	299,242	6,405	23,358	5,552	492	1,093	548,918
Balance at April 30, 2015	**$ 394,353**	**$ 554,268**	**$ 13,017**	**$ 28,359**	**$ 7,639**	**$ 1,818**	**$ 1,093**	**$ 1,000,547**
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	-	-	-	474	641	232	410	1,757
Balance at April 30, 2015	**$ -**	**$ -**	**$ -**	**$ 926**	**$ 1,225**	**$ 1,125**	**$ 410**	**$ 3,686**
Carrying Amounts								
At July 31, 2014	$ 181,577	$ 255,026	$ 6,612	$ 4,549	$ 1,503	$ 433	$ -	$ 449,700
Balance at April 30, 2015	**$ 394,353**	**$ 554,268**	**$ 13,017**	**$ 27,433**	**$ 6,414**	**$ 693**	**$ 683**	**$ 996,861**

The Company acquired the first 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. For the nine months ended April 30, 2015, mortgage interest of $5,103 (July 31, 2014 - $7,479) was capitalized for the land and $3,744 (July 31, 2014 - $5,672) for the building.

The Company acquired the second property to expand their warehouse 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 have been capitalized to date along with the mortgage interest. For the nine months ended April 30, 2015, mortgage interest of $8,348 (July 31, 2014 - $Nil) was capitalized for the land and $5,958 (July 31, 2014 - $Nil) for the building.

Depreciation will begin when the buildings are in use.

8. MORTGAGES PAYABLE

The Company has a mortgage payable on its first 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 matured on September 21, 2015. On March 31, 2015, the mortgage was modified to mature on August 21, 2018 with interest at 10% per annum starting on September 22, 2015. At April 30, 2015, the balance payable is $208,749 (July 31, 2014 - $224,274).

The Company has a mortgage payable on its second 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 was on November 2, 2014 and the mortgage matures on October 2, 2017. At April 30, 2015, the balance payable is $251,028 including accrued interest.

9. PROMISSORY NOTES PAYABLE

Thelon 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. Thelon 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 Thelon. 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 with accrued interest is due on April 15, 2016 with simple interest at the rate of 25%. At April 30, 2015, accrued interest of $9,653 (July 31, 2014 - $Nil) is included in the amount of the promissory note payable.

Thelon 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. Thelon 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 Thelon. On October 2, 2014, the note was amended for up to $35,000. The amended promissory note with accrued interest is due on December 31, 2016 with simple interest at the rate of 25%. Thelon 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 Thelon. At April 30, 2015, the principal amount borrowed against the note is $27,000 (July 31, 2014 - $Nil) and accrued interest of $8,606 (July 31, 2014 - $Nil) is included in the amount of the promissory note payable.

Thelon 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 amount is without interest and due on January 1, 2016. On April 30, 2015, the note was amended to become due on December 31, 2016. At April 30, 2015, $72,350 (July 31, 2014 – $Nil) is owed against the note.

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. At April 30, 2015, $19,840 is owed against the note.

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 April 30, 2015, $143,644 is owed against the note.

(Expressed in Canadian Dollars)

9. PROMISSORY NOTES PAYABLE (continued)

The Company issued a promissory note in the principal amount of up to $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 $90,377 on April 30, 2015 to John Miller, the President and Chief Executive Officer of the Company. The note is without interest and due on December 31, 2016.

10. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at July 31, 2013	100	$	0.010	$	1
Shares cancelled on reorganization as a private company	(100)		0.010		(1)
Shares issued as a private company, net of share issuance costs	23,040		-		138,221
Balance at July 31, 2014	23,040		-		138,221
Shares issued as a private company, net of share issuance costs	4,546		-		754,400
Shares issued on restructuring	56,948,660		-		-
Shares issued for acquisition of Thelon Capital Ltd.	18,698,364		0.045		841,427
Balance at April 30, 2015	**75,674,610**	**$**	**-**	**$**	**1,734,048**

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 cancelled pursuant to a reorganization of the Company's share capital. On May 30, 2014, the 100 common shares were cancelled and 10,800 common shares were issued for $0.01 per share for gross proceeds of $108.

For the year ended July 31, 2014, 11,520 common shares were issued for $0.01 per share for gross proceeds of $115, and 720 common shares were issued for $208.33 per share for gross proceeds of $149,998. A finder's fee of 8% was paid in the amount of $12,000.

On August 4, 2014, 240 common shares were issued for $0.01 per share for gross proceeds of $2, and 240 common shares were issued 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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

a) Common shares (continued)

On August 22, 2014, 240 common shares were issued for $0.01 per share for gross proceeds of $2.

On September 4, 2014, 240 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, 3,586 common shares at $200.78 per share for gross proceeds of $719,998. A finder's fee of 8% was paid in the amount of $57,600.

On January 14, 2015, to effect the acquisition of Thelon (note 2) the Company implemented a share exchange whereby the former 27,586 common shares of the THC Companies were exchanged for 56,948,660 common shares of the Company.

On January 14, 2015, Thelon had 18,698,364 common shares outstanding.

b) Escrow shares

Currently 690 common shares (July 31, 2014 – 690) are held in escrow.

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Warrants issued	8,416,666	$	0.30
Warrants exercised	(3,183,333)		0.30
Balance at April 30, 2015	**5,233,333**	**$**	**0.30**

Expiry Date	Number of Warrants		Exercise Price
September 25, 2016	5,233,333	$	0.30/$0.60

On September 25, 2013, Thelon 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. On March 19, 2015, the warrants which are exercisable at $0.30 per share until February 25, 2015 have been extended to be exercisable at $0.30 per share until September 25, 2015 and then at $0.60 per share until September 25, 2016.

(Expressed in Canadian Dollars)

11. SHARE-BASED COMPENSATION

The Company 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 2015 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
Options granted	1,583,334	$ 0.60
Balance at April 30, 2015	**1,583,334**	**$ 0.60**

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

On April 10, 2014, Thelon 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.

12. 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 nine months ended April 30, 2015 (April 30, 2014 - $Nil):

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

	Consulting	Office and Administration	Salaries and Benefits	April 30, 2015 Total
BUA Capital Management Ltd.	$ 26,855	$ -	$ -	$ 26,855
BUA Group Holdings Ltd.	-	14,681	-	14,681
GRW Inc.	10,742	-	-	10,742
Hee Jung Chun	-	-	49,390	49,390
John Miller	-	-	49,390	49,390
	$ 37,597	**$ 14,681**	**$ 98,780**	**$ 151,058**

BUA Capital Management Ltd. provides consulting services to the Company and is a private company controlled by a director, Jason Walsh. At April 30, 2015, the Company owed $143,644 (July 31, 2014 - $Nil) to BUA Capital Management Ltd. which is included in long term promissory notes payable.

BUA Group Holdings Ltd. provides administration services to the Company and is a private company controlled by a director, Jason Walsh. At April 30, 2015, the Company owed $Nil (July 31, 2014 - $Nil) to BUA Group Holdings Ltd.

Geoff Watson is the Chief Financial Officer and a director of the Company. At April 30, 2015, the Company owed $26,000 (July 31, 2014 - $Nil) to Mr. Watson for unpaid director fees which is included in advances from related parties.

GRW Inc. provides consulting services to the Company and is a private company controlled by the Chief Financial Officer, Geoff Watson. At April 30, 2015, the Company owed $30,543 (July 31, 2014 - $Nil) to GRW Inc. which is included in long term promissory notes payable, and $3,086 (July 31, 2014 - $Nil) which is included in advances from relate parties.

Hardcastle Capital Partners Corp. provides consulting services to the Company and is a private company controlled by the former President and Chief Executive Officer, Scott Walters At April 30, 2015, the Company owed $6,500 (July 31, 2014 – $Nil) to Hardcastle Capital Partners Corp. which is included in advances from related parties.

Hee Jung Chun is a director and John Miller is the President and a director. Ms. Chun and Mr. Miller founded the THC Companies. Ms. Chun receives a salary from the THC Companies of which $13,825 is owed and included in accounts payable and accrued liabilities. Mr. Miller also receives a salary from the THC Companies of which $13,825 is owed and included in accounts payable and accrued liabilities. On April 30, 2015, the Company issued a promissory note in the principal amount of $90,377 (July 31, 2014 - $137,109) to Mr. Miller. The note is without interest and due on December 31, 2016. In the event the Company fails to pay the full amount owing on the maturity date, the outstanding amount will accrue interest at 8% simple interest. The amount is included in long term promissory notes payable and was previously included in advances from related parties. Mr. Miller is also owed $11,024 which is included in advances from related parties.

International Ranger Corp. is a public company with common directors. At April 30, 2015, the Company owed $19,840 (July 31, 2014 – $Nil) to International Ranger Corp. which is included in long term promissory notes payable.

12. RELATED PARTY TRANSACTIONS (continued)

Jason Walsh is a director of the Company. At April 30, 2015, the Company owed $26,875 (July 31, 2014 – $Nil) to Mr. Walsh which is included in the advances from related parties. Mr. Walsh is also owed $25,000 (July 31, 2014 – $Nil) for unpaid director fees which is included in advances from related parties.

Scout Exploration Inc. is a public company with common directors. At April 30, 2015, the Company owed $3,955 (July 31, 2014 – $Nil) to Scout Exploration Inc. which is included in advances from related parties.

Thelon Diamond Company Limited is a private company with common directors controlled by Jason Walsh, At April 30, 2015, the Company owed $22,353 (July 31, 2014 - $Nil) to Thelon Diamond Company Limited which is included in advances from related parties. Thelon also issued a promissory note in the principal amount of $74,125 on August 15, 2014 to Thelon Diamond Company Limited. The note is without interest and due on January 1, 2016. On April 30, 2015, the note was amended to become due on December 31, 2016. At April 30, 2015, $72,350 (July 31, 2014 – $Nil) is owed against the note. The note is included in long term promissory notes payable.

At April 30, 2015, the Company was owed $95,377 (July 31, 2014 - $Nil) from Zadar Ventures Ltd., a public company with common directors. The amount is included in advances to related parties.

At April 30, 2015, the Company was owed $613 (July 31, 2014 - $Nil) from United Zeolite Ltd., a private company with common directors. The amount is included in advances to related parties.

At April 30, 2015, the Company was owed $10,453 (July 31, 2014 - $Nil) from 1177129 Alberta Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to related parties.

At April 30, 2015, the Company was owed $66 (July 31, 2014 -$Nil) from 782618 B. C. Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to 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.

13. CONTINGENT LIABILITY

On March 6, 2015, the Company received a demand letter from counsel for Jacob Securities Inc. demanding that a 10% equity stake in the Company and 8% broker warrants on the gross proceeds raised in 2014 for the THC Companies 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 THC BioMed Ltd. dated May 7, 2014. The Company was not a party to the engagement letters between its now wholly-owned subsidiaries, THC Meds Inc. and THC BioMed Ltd., and Jacob Securities Inc. The THC Companies 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.

14. SEGMENTED INFORMATION

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

15. OPERATING LEASE COMMITMENTS

The Company signed a 36 month lease for high performance liquid chromatography equipment for the laboratory. The lease began on October 31, 2013 with monthly payments of $2,651.

The Company signed a 36 month lease 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. The lease began on September 3, 2013 with monthly payments of $430.

The Company signed a 36 month lease 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. The lease began on October 1, 2014 with monthly payments of $757.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, investments held for sale, advances due to/from related parties, accounts payable and accrued liabilities, mortgages payables, 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:

16. 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 April 30, 2015 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 not exposed to foreign currency risk as it has no monetary assets and liabilities denominated in a foreign currency.

16. 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 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.

17. SUBSEQUENT EVENTS

On May 5, 2015, the Company issued a promissory note in the principal amount of $25,000 at 25% simple interest with the note and interest due on or before July 5, 2015; however, if the note is not paid by May 30, 2015, the Company agrees that the note will become a secured note by way of a second mortgage on the real property of the THC Companies. The Company also agrees to pay all legal fees associated with the registration of the mortgage including any title searches required to put the lender onto the mortgage title. $10,000 of the amount of the promissory note was repaid prior to May 30, 2015 and no charge has been put against the real property. The Company agreed to also issue common shares in such number to have an aggregate value of $6,250 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company.

On May 13, 2015, the Company signed a Production and Branding Agreement with Trans-Medica Ltd., a private company in Toronto, Ontario, to provide consulting services and utilize Trans-Medica Ltd.'s proprietary Vertical Grow System for total consideration of $500,000 to the Company. $50,000 was received upon signing the agreement; $200,000 is upon finalizing a Long Form Agreement; and $250,000 is due upon delivery of the first Vertical Marijuana seedlings to the Company from Trans-Medica Ltd., or at the option of the Company any time prior to either of the THC Companies receiving a license from Health Canada, by way of a capital investment in the Company by the purchase of common shares of the Company at a value per share equal to the higher of: (a) $0.25 per common share; or (b) the closing market price of the Company's common shares on the trading day that is two trading days prior to the date of issuance of the shares, less the maximum discount allowable by the rules of the CSE, quotation system, or market.