THC BIOMED INTL LTD.

Consolidated Financial Statements

For the Years Ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

THC BIOMED INTL LTD.

Consolidated Financial Statements

Contents

WOLRIGE MAHON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of THC BioMed Intl Ltd.

We have audited the accompanying consolidated financial statements of THC BioMed Intl Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2017 and 2016 and the consolidated statements of comprehensive loss, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of THC BioMed Intl Ltd. and its subsidiaries as at July 31, 2017 and 2016 and their performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainties that may cast significant doubt about the ability of THC BioMed Intl Ltd. and its subsidiaries to continue as a going concern.

"Wolrige Mahon LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS
November 27, 2017
Vancouver, BC

THC BIOMED INTL LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		July 31 2017		July 31 2016
Assets				
Current				
Cash	**$**	**22,852**	$	109,101
Amounts receivable (note 4)		**17,505**		124,551
Goods and services tax receivable		**13,827**		19,107
Advances to related parties (note 14)		**70,748**		75,613
Biological assets and inventory (note 5)		**542,934**		-
Prepaid expenses and deposits		**59,523**		126,156
		727,389		454,528
Non-current				
Prepaid financing fee (note 10)		**4,866,965**		-
Property and equipment (note 6)		**1,368,938**		1,146,445
		6,235,903		1,146,445
	$	**6,963,292**	$	1,600,973
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**732,751**	$	473,118
Promissory note payable (notes 8 and 14)		**135,000**		135,000
Current portion of mortgages payable (note 9)		**26,016**		23,802
Promissory note payable (note 10)		**99,004**		-
Warrant liability (note 10)		**2,416,464**		-
Advances from related parties (note 14)		**1,199,512**		213,718
		4,608,747		845,638
Non-current				
Mortgages payable (note 9)		**375,250**		404,668
		4,983,997		1,250,306
Shareholders' Equity				
Share capital (note 11)		**5,420,535**		3,865,413
Share subscription received in advance		**839,974**		250,000
Reserves		**159,051**		70,652
Accumulated deficit		**(4,440,265)**		(3,835,398)
		1,979,295		350,667
	$	**6,963,292**	$	1,600,973

Nature and continuance of operations (note 1)
Contingency (note 16)
Commitments (note 19)
Subsequent events (note 21)

These consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2017. They are signed on the Company's behalf by:

"John Miller" Director

"Hee Jung Chun" Director

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

THC BIOMED INTL LTD.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended July 31 2017	July 31 2016
Revenue	**$ 59,876**	$ -
Inventory expensed to cost of sales	**(442,833)**	-
Other cost of sales	**(94,015)**	-
Gain (loss) on changes in fair value of biological assets (note 5)	**391,137**	(100,579)
Negative profit margin	**(85,835)**	(100,579)
Expenses		
General and administration (notes 13 and 14)	**1,157,157**	818,266
Depreciation (note 6)	**89,978**	46,895
Sales and marketing	**41,761**	-
Share-based compensation (notes 12 and 14)	**134,788**	68,595
	1,423,684	933,756
Other (income) expense items		
Consulting fees	**-**	(250,000)
Distribution agreement expensed (note 7)	**101,433**	-
Foreign exchange (gain) loss	**(22,333)**	2
Forgiveness of debt settlements	**-**	(126,527)
Gain on sale of investment	**-**	(1,575)
Impairment of patents and trademarks (note 7)	**1,270,708**	-
Interest income	**(170)**	(885)
Other	**(153)**	-
Revaluation of agent warrants (note 10)	**(2,225,501)**	-
Reversal of amounts payable	**(28,636)**	-
Scientific research and experimental development claims	**-**	(119,010)
	(904,652)	(497,995)
Net and comprehensive loss for the year	**$ (604,867)**	$ (536,340)
Basic and diluted earnings per share	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**102,150,050**	89,072,034

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

THC BIOMED INTL LTD.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscription Received in Advance	Share-Based Payment Reserve	Deficit	Total Equity
Balance, July 31, 2016	96,199,544	$ 3,865,413	$ 250,000	$ 70,652	$ (3,835,398)	$ 350,667
Shares issued for cash	1,000,000	250,000	(250,000)	-	-	-
Stock options exercised	916,000	104,100	-	-	-	104,100
Fair value of stock options exercised	-	46,389	-	(46,389)	-	-
Warrants exercised	4,983,915	1,096,037	-	-	-	1,096,037
Shares issued for debt	133,172	58,596	-	-	-	58,596
Share subscription received in advance	-	-	839,974	-	-	839,974
Share-based compensation	-	-	-	134,788	-	134,788
Loss for the year	-	-	-	-	(604,867)	(604,867)
Balance, July 31, 2017	**103,232,631**	**$ 5,420,535**	**$ 839,974**	**$ 159,051**	**$ (4,440,265)**	**$ 1,979,295**
Balance, July 31, 2015	75,674,620	$ 1,734,048	$ -	$ 59,754	$ (3,308,506)	$ (1,514,704)
Shares issued for cash	10,675,000	1,090,500	-	-	-	1,090,500
Share issuance costs	240,000	(38,900)	-	-	-	(38,900)
Shares issued for debt	8,359,924	906,516	-	-	-	906,516
Stock options exercised	1,250,000	173,249	-	(48,249)	-	125,000
Fair value of stock options exercised and cancelled	-	-	-	(9,448)	9,448	-
Share subscription received in advance	-	-	250,000	-	-	250,000
Share-based compensation	-	-	-	68,595	-	68,595
Loss for the year	-	-	-	-	(536,340)	(536,340)
Balance, July 31, 2016	96,199,544	$ 3,865,413	$ 250,000	$ 70,652	$ (3,835,398)	$ 350,667

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

THC BIOMED INTL LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended July 31 2017	July 31 2016
Cash provided by (used for)		
Operating activities		
Net loss for the year	**$ (604,867)**	$ (536,340)
(Gain) loss on changes of fair value of biological assets	**(391,137)**	100,579
Accrued interest revenue	**-**	(42)
Accrued liabilities	**117,089**	135,935
Add items not affecting cash		
Depreciation	**89,978**	46,895
Distribution agreement expensed	**101,433**	-
Foreign exchange (gain) loss	**-**	2
Forgiveness of debt settlements	**-**	(126,527)
Gain on sale of investment held for sale	**-**	(1,575)
Impairment of patents and trademarks	**1,270,708**	-
Interest paid with shares	**-**	14,331
Revaluation of agent warrants	**(2,225,501)**	-
Reversal of amounts payable	**(28,636)**	-
Share-based compensation	**134,788**	68,595
	(1,536,145)	(298,147)
Net change in non-cash working capital	**155,505**	(850,147)
	(1,380,640)	(1,148,294)
Financing activities		
Advances from related parties	**985,794**	169,303
Issuance of shares for cash, net of share issuance costs	**1,200,137**	1,176,600
Share subscription received in advance	**839,974**	250,000
Mortgage proceeds repaid	**(27,204)**	(21,564)
Promissory notes repaid	**(125,996)**	(239,416)
	2,872,705	1,334,923
Investing activities		
Acquisition of property and equipment	**(312,471)**	(158,952)
Acquisition of intellectual property	**(1,270,708)**	-
Advances to related parties	**4,865**	24,991
Proceeds on sale of investment held for sale	**-**	4,725
	(1,578,314)	(129,236)
Effect of foreign exchange translation on cash	**-**	(2)
Net increase (decrease) in cash	**(86,249)**	57,391
Cash, beginning of year	**109,101**	51,710
Cash, end of year	**$ 22,852**	$ 109,101

Supplemental cash flow information (note 18)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Intl Ltd. ("THC" or the "Company") is a publicly traded company with its head office at Unit 1 – 2550 Acland Road, Kelowna, British Columbia, Canada, V1X 7L4. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol THC and on the Over the Counter ("OTC") market under the symbol THCBF.

These consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its three wholly owned subsidiaries: THC BioMed Ltd., THC Meds Inc., (collectively the "THC Companies") and Clone Shipper Ltd. The Company's principal business is the production and sale of medical marijuana through THC BioMed Ltd. which is licensed to produce and sell medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations ("ACMPR").*

These 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 is considered to be in the development stage. These factors create material uncertainty that may cast significant doubt about the Company being able to continue as a going concern. These 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 20c.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as explained in the accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Presentation and functional currency

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

2. BASIS OF PREPARATION (continued)

d) 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 profit (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

e) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its three wholly-owned Canadian subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls where 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.

f) Critical accounting judgments and estimates

The preparation of the consolidated 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 consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

In the preparation of these consolidated 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 consolidated financial statements.

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 estimates 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.

2. BASIS OF PREPARATION (continued)

f) Critical accounting judgments and estimates (continued)

(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 profit or loss. For the year ended July 31, 2017, the Company recognized share-based compensation expense of $134,788 (July 31, 2016 - $68,595).

(c) Purchase price allocation

The allocation of the purchase price and subsequent costs between land and building on the acquisition of property required judgment. The allocation was determined using the property tax assessments when the properties were acquired.

(**d) Asset acquisition allocation**

The allocation of the purchase price and subsequent costs between assets on the acquisition of assets required judgment. The allocation was determined using fair value of current assets acquired at their acquisition date and management's judgment in allocating costs to the intellectual property.

(e) Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates including estimating the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales price, wastage, expected yields from the marijuana plant, and the fair value of biological assets.

(f) Estimated useful lives, impairment considerations, and depreciation and amortization of property, plant, and equipment and intellectual property

Depreciation and amortization of property, plant, and equipment and intellectual property assets are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(g) 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) Cash

Cash in the statement of financial position is comprised of cash at banks and on hand which are readily convertible into a known amount of cash. The Company does not invest in any asset-backed deposits or investments. The Company has no material banking arrangements for overdrafts or borrowings.

b) Biological assets and agricultural produce

The Company's biological assets include seeds, marijuana plants used for cuttings to initiate the marijuana growing process which have a useful life of approximately one year, and 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. Its agricultural produce consists of harvested marijuana flowers prior to completion of the drying, grading, and testing processes.

The Company recognizes a biological asset or agricultural produce when, and only when: (a) it controls the asset as a result of past events; (b) it is probable that future economic benefits associated with the asset will flow to the Company; and (c) the fair value or cost of the asset can be measured reliably.

Biological assets are 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. Agricultural produce is measured on initial recognition at its fair value less costs to sell at the point of harvest. Finished goods are measured at the lower of cost or net realizable value, wherein the cost of the dried marijuana contained therein includes the carrying value of the agricultural produce at the date of its conversion. Fair value at the time of harvest then becomes the basis for cost of finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in profit or loss at the time they are determined.

c) Inventory

The Company's inventory consists of purchased materials and packaged dried marijuana which are valued at the lower of cost and net realizable value.

Any gains or write downs of inventories to net realizable value are included in profit or loss at the time they are determined.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

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 profit or 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.

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:

Automobile equipment	30%
Buildings	4%
Computer equipment	55%
Equipment	20%
Furniture and fixtures	20%
Software	100%

e) Intellectual property

Intellectual property is comprised of patents and trademarks acquired when the Company purchased the assets of Clone Shipper LLC, a US based company specializing in packaging products used to transport live plants. Amortization of the intellectual property is recorded on a straight-line basis over the estimated useful life of the assets.

f) Impairment

At each financial 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment (continued)

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 profit or loss.

g) 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.

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. 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 initially recognized at fair value and subsequently 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 effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. 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 initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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 profit or 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 profit or loss. The Company has not classified any assets as available-for-sale 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 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 statements of financial position at fair value, with changes in fair value recognized in profit or loss. Where warrants issued do not result in a fixed number of shares being issued for a fixed value of consideration, the warrants are treated as derivative liabilities and accounted for at fair value through profit or loss. The Company has classified the warrant liability as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

The Company has classified accounts payable and accrued liabilities, promissory note payable, mortgages payable, and advances from related parties as other financial liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

h) 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 on 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.

i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share-based compensation (continued)

The fair value of share options granted to non-employees is recognized as an expense in profit or loss unless they are related to the issuance of shares and is recorded at the fair value of the services received. 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. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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.

j) 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.

k) Loss per share

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

l) 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)

m) Revenue recognition

Revenue arises from the sale of goods and the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

Revenue generated from providing consulting services is recognized as revenue in the period in which the service is performed. Where payment is received in advance of providing the service, the amount received is recognized as deferred revenue.

Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is shipped to the customer.

n) 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 in 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 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)

o) Contingencies

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. As information becomes known, a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed at each reporting date and the estimates are changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period.

p) New accounting standards and interpretations not yet adopted

The following accounting pronouncements have been released but have 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, 2018, 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)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* which specifies how a lease will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged for its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. Management has not yet determined the potential impact the adoption of IFRS 16 will have on the Company's financial statements.

4. AMOUNTS RECEIVABLE

		July 31 2017		July 31 2016
Bank of Montreal	**$**	**-**	$	42
Government of Canada (Scientific Research & Experimental Development Claim)		**-**		111,169
Shaw Cable		**64**		-
Supra Research and Development Inc.		**-**		840
Trade Receivables		**17,441**		-
Trans-Medica Ltd.		**-**		12,500
	$	**17,505**	$	124,551

(Expressed in Canadian Dollars)

5. BIOLOGICAL ASSETS AND INVENTORY

	Inventory of Biological Assets	Inventory of Other Assets	Total
Carrying amount, July 31, 2015	$ -	$ -	$ -
Cost of biological assets and inventory	100,579	-	100,579
Loss on changes in fair value	(100,579)	-	(100,579)
Carrying amount, July 31, 2016	-	-	-
Cost of biological assets and inventory	28,767	123,030	151,797
Transferred at time of harvest	(57,686)	57,686	-
Gain on changes in fair value	391,137	-	391,137
Carrying amount, July 31, 2017	**$ 362,218**	**$ 180,716**	**$ 542,934**

At July 31, 2016, the Company only had a license to produce and not a license to sell product from Health Canada; accordingly, all biological assets and inventory were valued at $Nil.

6. PROPERTY AND EQUIPMENT

	July 31 2015	Additions	July 31 2016	Additions	**July 31 2017**
Cost					
Automobile equipment	$ -	$ -	$ -	$ 6,741	**$ 6,741**
Buildings	580,939	104,414	685,353	71,331	**756,684**
Computer equipment	29,685	6,444	36,129	18,003	**54,132**
Equipment	22,291	28,051	50,342	148,528	**198,870**
Furniture and fixtures	7,388	4,037	11,425	25,121	**36,546**
Land	406,607	16,006	422,613	-	**422,613**
Software	1,093	-	1,093	42,747	**43,840**
	$ 1,048,003	$ 158,952	$ 1,206,955	$ 312,471	**$ 1,519,426**

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT (continued)

	July 31 2015	Depreciation	July 31 2016	Depreciation	**July 31 2017**
Accumulated Depreciation					
Automobile equipment	$ -	$ -	$ -	$ 1,011	**$ 1,011**
Buildings	-	25,326	25,326	27,828	**53,154**
Computer equipment	10,305	12,430	22,735	12,319	**35,054**
Equipment	1,349	6,993	8,342	23,253	**31,595**
Furniture and fixtures	1,415	1,599	3,014	4,194	**7,208**
Software	546	547	1,093	21,373	**22,466**
	$ 13,615	$ 46,895	$ 60,510	$ 89,978	**$ 150,488**
Carrying Amounts	$ 1,034,388		$ 1,146,445		**$ 1,368,938**

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 along with the mortgage interest until May 1, 2016 when growing commenced.

The Company acquired the second property to expand their warehouse facilities on October 2, 2014 for cash and mortgage payable totaling $341,604, of which $199,326 was attributed to the land and $142,278 to the building. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized along with the mortgage interest until May 1, 2016 when growing commenced.

Depreciation of the buildings began on May 1, 2016 when the buildings were considered “in use” with the planting of the first crop of medical marijuana.

7. ASSET ACQUISITION

The Company acquired 100% of certain assets of Clone Shipper LLC, a US based company specializing in packaging products used to transport live plants. The purchase price of $1,376,290 (US$1,000,000) was allocated as follows:

Equipment	$ 91,719
Inventory	26,386
Patents (pending)	880,729
Trademarks (pending)	377,456
	$ 1,376,290

During the year the Company incurred $12,523 in legal costs allocated to the patents and trademarks. The patents and trademarks are both pending. There have been nominal sales to date. Impairment of the patents and trademarks in the amount of $1,270,708 has been recorded.

7. ASSET ACQUISITION (continued)

Prior to completing this acquisition, the Company had signed a Distribution Agreement with Clone Shipper LLC and paid $101,433 (US$75,000). The Company expensed the amount after closing of the acquisition.

8. PROMISSORY NOTE PAYABLE

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 former director, Jason Walsh. The note is without interest and was due on December 31, 2016. At July 31, 2017, $135,000 (July 31, 2016 - $135,000) is owed against the note.

9. MORTGAGES PAYABLE

The Company has a mortgage payable on its first property in the principal amount of $210,560 with interest at 5.50% per annum with monthly payments of $2,760 due on the 21st day of each month. The mortgage originally 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. The mortgage has been extended to August 21, 2021 on the same terms. At July 31, 2017, the balance payable is $172,875 (July 31, 2016 - $189,645) with accrued interest of $474 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on its second property in the principal amount of $250,000 with interest at 10% per annum with monthly payments of $2,656 due on the 2nd day of each month. The mortgage initially matured on October 2, 2017 and has been extended to October 2, 2020 on the same terms. At July 31, 2017, the balance payable is $228,391 (July 31, 2016 - $238,825) with accrued interest of $1,815 included in accounts payable and accrued liabilities.

10. CAPITAL COMMITMENTS

GEM Global Yield Fund LLC SCS

The Company entered into a Capital Commitment Agreement GEM to invest with GEM Global Yield Fund LLC SCS (“GEM”) for a $10 million capital commitment from into THC. Proceeds raised from the investment will be used for working capital and general corporate purposes, and in particular, to close the acquisition of the Clone Shipper assets (note 7).

THC has the right to draw down under the Capital Commitment Agreement for a term of two years. Common shares will be issued to GEM at a price per share equal to the greater of: (1) the floor price set by THC; and (2) a 10% discount to the market price of the common shares based on the immediately preceding 15-day volume weighted average price for the acceptance period. Each draw down is subject to certain market out rights of GEM (as defined in the agreement) and approval of the CSE. GEM will hold freely trading common shares of the Company through a share lending facility provided by the current Chief Executive Officer and Chief Financial Officer.

10. CAPITAL COMMITMENTS (continued)

GEM Global Yield Fund LLC SCS (continued)

The Company entered into a promissory note to pay GEM a commission fee of $225,000 upon the earliest of: (1) the closing of a private placement (in an amount equal to 15% of the proceeds of placements until the full amount of the fee is paid); (2) 18 months from the date of the Capital Commitment Agreement; or (3) a change of control of THC. This fee will be payable by THC at the 18-month date even if THC makes no demands on the capital commitment. If GEM fails to invest pursuant to the terms of the Capital Commitment Agreement, the fee will not be payable by THC. THC may elect to pay the commitment fee in cash or stock, subject to CSE approval.

The promissory note was reduced by $125,996 on June 26, 2017, when subscriptions received in advance were received, net of this amount, from GEM.

As part of the transaction, THC agreed to issue 6,635,000 common share purchase warrants (“agent warrants”) to GEM, subject to the terms and conditions of the Capital Commitment Agreement. The agent warrants have an exercise price equal to the greater of: (1) $1.20; and (2) the market price of the common shares on the date of the issuance of the agent warrants. The agent warrants will have an exercise period of 5 years. The agent warrants’ exercise price is subject to repricing to 105% of the market price in the event that THC’s market price is less than 90% of the exercise price on the first anniversary of the date of the Capital Commitment Agreement. The repricing must be done in accordance with the rules of the CSE.

The agent warrants are recorded as a derivative liability as the value is based on inputs that are subject to change. The agent warrants are not on a fixed for fixed basis as the number of warrants is fixed but the exercise price is variable, as noted above.

At March 13, 2017, the $225,000 commission fee and the initial fair value of 6,635,000 agent warrants were recorded as prepaid financing fees of $4,866,965. The agent warrants have an initial fair value, calculated using the Black-Scholes option pricing model, of $4,641,965 or $0.70 per agent warrant, assuming an expected life of 5 years, a risk-free interest rate of 1.31%, an expected dividend rate of 0.00%, stock price of $0.76 and an expected annual volatility coefficient of 165%. Volatility was determined using historical stock prices.

At March 13, 2017, the initial fair value of the agent warrants of $4,641,965 (as above) was recorded as the warrant liability. At July 31, 2017, the agent warrants were revalued and have a fair value, calculated using the Black-Scholes option pricing model, of $2,416,464 or $0.36 per agent warrant, assuming an expected life of 4.6 years, a risk-free interest rate of 1.55%, an expected dividend rate of 0.00%, stock price of $0.39 and an expected annual volatility coefficient of 191%. Volatility was determined using historical stock prices. The revaluation of the agent warrants at year end produced a gain of $2,225,501.

The prepaid financing fee will be reduced on a pro-rated basis as the drawdowns occur and will be recorded in share capital as a share issuance cost. Any remaining balance at the end of the term will be expensed in profit or loss as a financing fee.

10. CAPITAL COMMITMENTS (continued)

Alumina Partners (Ontario) Ltd.

On July 21, 2017, the Company announced a capital commitment from Alumina Partners (Ontario) Ltd. ("Alumina) for up to $12,000,000 on a private placement basis completed in tranches over a twenty-four month period. Each tranche to be a subscription of common shares and warrants referred to as a unit ("Unit").

Alumina agreed to subscribe initially for $150,000 in Units. The Company may request that Alumina subscribe for subsequent tranches a minimum of five trading following the issuance of the initial tranche and then five trading days following the issuance of each subsequent tranche.

The purchase price for each Unit purchased by Alumina in each tranche will be priced at a discount of 15% to 25% to the market price of the common shares traded on the Canadian Securities Exchange ("Exchange"), or such lesser discount as dictated by Section 2.1 of Policy 6 of the Exchange. The market price of the common shares for each tranche will be defined as the price per common share formally protected and reserved by the Company's filing of a Price Reservation Notice with the Exchange using the applicable Form 9. Alumina is not required to close a tranche if the closing price of the common shares on the Exchange determined as of the close of trading on the trading day prior to the closing date is below the market price on the corresponding Form 9.

At the closing of each tranche, the Company shall issue Alumina an amount of common share purchase warrants equal to the number of common shares subscribed by Alumina in connection with that tranche. Each warrant will permit Alumina to acquire one common share for three years from the date of closing the tranche, subject to a four month hold period from the date the warrants are issued. The exercise price of each warrant for each tranche is set at a 25% premium to the market price for the corresponding tranche.

There have not been any transactions under this agreement during the year ended July 31, 2017.

11. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

a) Common shares (continued)

Issued:

	Issued Number		Amount
Balance, July 31, 2015	75,674,620	$	1,734,048
Shares issued for cash	10,675,000		1,090,500
Shares issued for debt	8,359,924		906,516
Shares issued for finder fees	240,000		(38,900)
Stock options exercised	1,250,000		125,000
Fair value of stock options exercised	-		48,249
Balance, July 31, 2016	96,199,544		3,865,413
Shares issued for cash	1,000,000		250,000
Stock options exercised	916,000		104,100
Fair value of stock options exercised	-		46,389
Warrants exercised	4,983,915		1,096,037
Shares issued for debt	133,172		58,596
Balance, July 31, 2017	**103,232,631**	**$**	**5,420,535**

On October 26, 2015, the Company closed a non-brokered private placement of 4,119,583 units (“Unit”) at a price of $0.06 per Unit for gross proceeds of $190,500 and settlement of $56,675 of short term debt. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.15 per share until October 26, 2016. Warrants were valued at $Nil using the residual value method. A finder’s fee of $2,900 was paid in cash along with 90,000 Units on the same terms as the private placement, for total a finder’s fee of $8,300.

On November 6, 2015, the Company issued 4,660,000 common shares pursuant to a settlement agreement with Jacob Securities Inc. The shares were issued at a fair value of $0.12 per share and will be released pursuant to a stock restriction agreement over the course of 36 months. The value of the shares of $559,200 was recorded as consulting fees in fiscal 2015 and previously included in accounts payable and accrued liabilities.

On December 9, 2015, 250,000 stock options were exercised at $0.10 per share for gross proceeds of $25,000. The market price on the date of exercise was $0.10.

On December 10, 2015, the Company closed a non-brokered private placement of 7,500,000 units (“Unit”) at a price of $0.12 per Unit for gross proceeds of $900,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.25 per share until December 10, 2016. The warrants will have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.30 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants from the date that such notice is given. Warrants were valued at $Nil using the residual value method. A finder’s fee of $36,000 was paid in cash along with 150,000 Units on the same terms for the private placement, for a total finder’s fee of $54,000.

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On December 10, 2015, the Company issued 755,341 common shares at $0.12 per share to settle $90,641 in debt. The market price on the date of issuance of the shares was $0.09.

On February 4, 2016, the Company issued 2,000,000 common shares pursuant to a settlement agreement with Cervus Business Management Inc. The shares were issued at a fair value of $0.10 per share and will be released pursuant to a stock restriction agreement over the course of 36 months. The value of the shares of $200,000 was recorded as consulting fees in fiscal 2015 and previously included in accounts payable and accrued liabilities.

On March 24, 2016, 500,000 stock options were exercised at $0.10 per share for gross proceeds of $50,000. The market price on the date of exercise was $0.13.

On May 24, 2016, 500,000 stock options were exercised at $0.10 per share for gross proceeds of $50,000. The market price on the date of exercise was $0.13.

On August 17, 2016, 50,000 warrants were exercised at $0.15 for gross proceeds of $7,500. The market price on the date of exercise was $0.27.

On August 24, 2016, 581,000 warrants were exercised at $0.15 for gross proceeds of $87,150. The market price on the date of exercise was $0.27.

On September 1, 2016, 1,124,416 warrants were exercised at $0.15 for gross proceeds of $168,662. The market price on the date of exercise was $0.36.

On September 12, 2016, 1,000,000 common shares were issued at $0.25 per share for gross proceeds of $250,000 which was received during the prior year.

On September 12, 2016, 400,000 warrants were exercised at $0.15 for gross proceeds of $60,000. The market price on the date of exercise was $0.34.

On September 14, 2016, 600,000 warrants were exercised at $0.15 for gross proceeds of $90,000. The market price on the date of exercise was $0.39.

On September 15, 2016, 125,000 warrants were exercised at $0.15 for gross proceeds of $18,750. The market price on the date of exercise was $0.38.

On September 22, 2016, 250,000 stock options were exercised at $0.10 per share for gross proceeds of $25,000 and 250,000 stock options were exercised at $0.15 per share for gross proceeds of $37,500. The market price on the date of exercise was $0.62.

On September 22, 2016, 175,000 warrants were exercised at $0.15 for gross proceeds of $26,250. The market price on the date of exercise was $0.62.

On September 23, 2016, 774,332 warrants were exercised at $0.60 for gross proceeds of $464,600 and 4,459,001 warrants expired at $0.60. The market price on the date of exercise was $0.60.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On October 5, 2016, 1,154,167 warrants were exercised at $0.15 for gross proceeds of $173,125. The market price on the date of exercise was $1.05.

On November 22, 2016, 250,000 stock options were exercised at $0.10 per share for gross proceeds of $25,000. The market price on the date of exercise was $1.11.

December 10, 2016, 7,650,000 warrants expired at $0.25.

On December 14, 2016, 166,000 stock options were exercised at $0.10 per share for gross proceeds of $16,600. The market price on the date of exercise was $1.02.

On June 22, 2017, the Company issued 133,172 common shares at $0.44 per share to settle $58,596 in debt. The market price on the date of the agreement was $0.44.

b) Escrow shares

Currently 690 common shares (July 31, 2016 – 690) are held in escrow.

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2015	5,233,333	$	0.30/$0.60
Warrants issued	11,859,583		0.21
Balance, July 31, 2016	17,092,916		0.33
Warrants exercised	(4,983,915)		0.22
Warrants expired	(12,109,001)		0.38
Balance, July 31, 2017	**-**	**$**	**-**

(Expressed in Canadian Dollars)

12. SHARE-BASED COMPENSATION

The Company is authorized to grant options to directors, officers, employees, and consultants 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. Stock options granted under the Plan are to be settled with the issuance of equity instruments.

The following summarizes the stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2015	4,083,334	$ 0.303
Options granted	1,000,000	0.100
Options cancelled/expired	(2,333,334)	0.440
Options exercised	(1,250,000)	0.108
Balance, July 31, 2016	1,500,000	0.108
Options granted	4,415,000	0.385
Options exercised	(916,000)	0.114
Balance, July 31, 2017	**4,999,000**	**$ 0.352**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
October 5, 2015	October 5, 2017*	0.18	584,000	584,000	$ 0.100
July 25, 2017	July 25, 2019	1.98	441,500	4,415,000	0.385
			1,025,500	4,999,000	$ 0.352

*Excercised subsequent to year-end

On October 5, 2015, the Company granted 1,000,000 stock options to employees of the Company to acquire 1,000,000 common shares of the Company with an expiry date of October 5, 2017. The options have a fair value, calculated using the Black-Scholes option pricing model, of $41,546 or $0.04 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.51%, an expected dividend rate of 0.00%, stock price of $0.06 and an expected annual volatility coefficient of 165%. Volatility was determined using historical stock prices.

(Expressed in Canadian Dollars)

12. SHARE-BASED COMPENSATION (continued)

On July 25, 2017, the Company granted 4,415,000 stock options to directors, employees, and a consultant of the Company to acquire 4,415,000 common shares of the Company with an expiry date of July 25, 2019. The options vest over 12 months with 10% at the date of grant; 15% three months from the date of grant; 25% six months from the date of grant; 25% nine months from the date of grant; and 25% 12 months from the date of grant. The options have a total fair value, calculated using the Black-Scholes option pricing model, of $1,057,001 or $0.24 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.32%, an expected dividend rate of 0.00%, stock price of $0.375 and an expected annual volatility coefficient of 129%. Volatility was determined using historical stock prices. The fair value expensed at July 31, 2017 is $134,788.

The following summarizes the stock options exercised during the year:

	Date Exercised	Number of Options	Exercise Price	Share Price on Exercise Date	Fair Value on Exercise Date
Shaxon Enterprises	22-Sep-16	250,000	$ 0.10	$ 0.62	$ 155,000
Shaxon Enterprises	22-Sep-16	250,000	0.15	0.62	155,000
Zena Prokosh	22-Nov-16	250,000	0.10	1.11	277,500
H. Riley McDonald	14-Dec-16	166,000	0.10	1.02	169,320
		916,000			$ 756,820
Weighted Average Fair Value on Exercise Dates					$ 0.83

(Expressed in Canadian Dollars)

13. GENERAL AND ADMINISTRATIVE EXPENSES

Following is a breakdown of general and administrative expenses:

	July 31 2017	July 31 2016
Administration fees	**$ 16,400**	$ 49,200
Advertising and promotion	**4,611**	43,606
Automobile expenses	**17,970**	22,949
Bank charges and interest	**57,499**	47,429
Consulting fees	**135,051**	145,176
Director fees	**19,392**	-
Equipment lease	**10,131**	30,392
Insurance	**11,640**	326
Investor relations	**106,420**	16,132
Leasehold improvements	**9,199**	-
Legal and accounting	**400,656**	177,029
Office	**26,802**	15,099
Payroll	**162,212**	164,288
Property tax	**11,519**	700
Rent	**58,019**	15,900
Repairs and maintenance	**21,518**	-
Strata fees	**9,290**	1,646
Telephone	**15,228**	10,311
Transfer agent and filing fees	**36,408**	19,995
Travel	**17,311**	44,380
Utiliities	**9,881**	1,021
Warehouse supplies	**-**	12,687
	$ 1,157,157	$ 818,266

14. 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 July 31, 2017 and 2016:

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

	Consulting	Director Fees	Office and Administration	Rent	Salaries and Benefits	Share-Based Compensation	July 31, 2017 Total
Ashish Dave	$ -	$ 1,000	$ -	$ -	$ -	$ 15,265	$ 16,265
BUA Capital Management Ltd.	20,000	-	-	-	-	-	20,000
BUA Group Holdings Ltd.	-	-	16,400	-	-	-	16,400
Chief Executive Officer	-	6,000	-	31,200	60,400	15,265	112,865
Chief Financial Officer	-	6,000	-	1,761	60,400	15,265	83,426
Close family member	-	-	-	-	37,495	7,632	45,127
George Smitherman	-	6,000	-	-	-	15,265	21,265
	$ 20,000	**$ 19,000**	**$ 16,400**	**$ 32,961**	**$ 158,295**	**$ 68,692**	**$ 315,348**

	Consulting	Director Fees	Office and Administration	Rent	Salaries and Benefits	Share-Based Compensation	July 31, 2016 Total
BUA Capital Management Ltd.	$ 72,500	$ -	$ -	$ -	$ -	$ -	$ 72,500
BUA Group Holdings Ltd.	-	-	49,200	-	-	-	49,200
Chief Executive Officer	-	-	-	-	62,400	-	62,400
Chief Financial Officer	-	-	-	-	62,400	-	62,400
GRW Inc.	12,000	-	-	-	-	-	12,000
Publico Services Ltd.	15,000	-	-	-	-	-	15,000
T. St. Denis, Inc.	92,255	-	-	-	-	-	92,255
	$ 191,755	$ -	$ 49,200	$ -	$ 124,800	$ -	$ 365,755

Ashish Dave receives a director fee of $500 per month totaling $1,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

BUA Capital Management Ltd. provided consulting services to the Company until November 30, 2016. It is a private company controlled by a former director, Jason Walsh. On October 26, 2015, BUA Capital Management Ltd. was issued 250,000 Units (note 11a) at $0.06 for $15,000 in debt. At July 31, 2017, the Company owed $Nil (July 31, 2016 - $70,448) to BUA Capital Management Ltd. and $135,000 (July 31, 2016 - $135,000) which is included in the promissory note payable.

BUA Group Holdings Ltd. provided administration services to the Company until November 30, 2016. It is a private company controlled by a former director, Jason Walsh. At July 31, 2017, the Company owed $Nil (July 31, 2016 - $6,679) to BUA Group Holdings Ltd.

The President and Chief Executive Officer ("CEO") of the Company, a director, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month. At July 31, 2017, $46,800 (July 31, 2016 - $36,400) in accrued salaries is included in accounts payable and accrued liabilities. The CEO also received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. The CEO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265. The CEO also purchased product from the Company with sales totaling $1,215 with a cost of sales of $3,876.

14. RELATED PARTY TRANSACTIONS (continued)

The Chief Financial Officer ("CFO"), a director of the Company, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month. At July 31, 2017, $46,800 (July 31, 2016 - $36,400) in accrued salaries is included in accounts payable and accrued liabilities. At July 31, 2017, the Company also owed the CFO $1,188,160 (July 31, 2016 - $125,239), which is included in advances from related parties. The CFO also received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. The CFO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

The Company signed a month-to-month lease for premises from the CEO and CFO. The lease began on August 1, 2016 with monthly payments of $2,600 plus Goods and Services Tax along with all 75% of all operating costs. For the year ended July 31, 2017, the CEO received $31,200 in rental income along with a security deposit on that unit in the amount of $2,470.

The Company signed a month-to-month lease for premises from the CFO. The lease began on July 10, 2017 with monthly payments of $2,600 plus Goods and Services Tax along with all operating costs. For the year ended July 31, 2017, the CFO received $1,761 in rental income along with a security deposit on that unit in the amount of $3,351.

A close family member of the CEO works full-time in the office in Kelowna. This close family member is paid an hourly wage of $22. This family member was granted 250,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $59,853 and a fair value of vested options at July 31, 2017 of $7,632.

George Smitherman received a director fee of $500 per month totaling $6,000 (July 31, 2016 - $Nil) for the year ended July 31, 2017. Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 and a total fair value of $119,706 and a fair value of vested options at July 31, 2017 of $15,265.

GRW Inc. provided consulting services to the Company until November 30, 2015. It is a private company controlled by the former Chief Financial Officer, Geoff Watson.

T. St. Denis, Inc. is a private accounting firm owned by the former Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. On October 26, 2015, T. St. Denis, Inc. was issued 250,000 Units (note 11a) at $0.06 for $15,000 of debt.

International Ranger Corp. is a public company with common former directors. At July 31, 2017, the Company is owed $1,881 (July 31, 2016 - $1,881) from International Ranger Corp. which is included in advances to related parties.

Thelon Diamond Company Limited is a public company with a common former director, Jason Walsh. At July 31, 2017, the Company owes Thelon Diamond Company Limited $1,000 (July 31, 2016 - $1,000) which is included in advances from related parties.

At July 31, 2017, the Company owed $10,352 (July 31, 2016 - $10,352) to Global Li-ion Graphite Corp. (formerly Thelon Diamonds Ltd.), a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances from related parties.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

At July 31, 2017, the Company was owed $5,850 (July 31, 2016 - $5,850) from 1177129 Alberta Ltd., a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $66 (July 31, 2016 - $66) from 782618 B.C. Ltd., a private company controlled by a former director of the Company, Jason Walsh. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $613 (July 31, 2016 - $613) from United Zeolite Ltd., a private company with common former directors. The amount is included in advances to related parties.

At July 31, 2017, the Company was owed $62,338 (July 31, 2016 - $67,203) from Zadar Ventures Ltd., a public company with a common former director, 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.

15. INCOME TAXES

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

		July 31 2017		July 31 2016
Income (loss) before income taxes	**$**	**(604,867)**	$	(536,340)
Statutory Canadian corporate tax rate		**26.00%**		26.00%
Income tax recovery at statutory rates	**$**	**(157,265)**	$	(139,448)
Non-deductible items for tax purposes, change in estimate, and other		**260,193**		(1,494)
Tax benefits not recognized		**(102,928)**		140,942
	$	**-**	$	-

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

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

	July 31 2017	July 31 2016
Deferred income tax assets		
Biological assets and inventory	$ (76,000)	$ -
Cumulative eligible capital	-	59
Equipment	7,000	-
Intellectual property	330,000	-
Prepaid financing fee	(1,207,000)	-
Share issuance costs	79,000	27,680
Warrant liability	628,000	-
Allowable capital losses available for future years	10,000	-
Non-capital losses available for future years	859,000	705,189
	630,000	732,928
Tax benefits not recognzied	(630,000)	(732,928)
	$ -	$ -

At July 31, 2017 the Company has non-capital tax losses of approximately $3,305,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	Amount
2033	$ 78,000
2034	191,000
2035	897,000
2036	478,000
2037	1,661,000
	$ 3,305,000

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)

16. CONTINGENCY

A legal action begun by Jacob Securities Inc. (the “Complainant”) in 2016 is ongoing. The Complainant claims that the Company is in breach of a settlement agreement dated September 10, 2015 (the “Settlement Agreement”). The Complainant alleges it is owed delivery of certain original share certificates from the Company and possible damages. The Complainant alleges that pursuant to the Settlement Agreement, it was entitled to 4,660,000 common shares of the Company plus an additional 1,600,000 shares on the occurrence of certain events. The Complainant acknowledges it received from the Company and sold 1,165,000 shares but alleges at a later date that 3,495,000 of the remaining shares in its possession were represented by copies and not original share certificates. The Company filed a Response to Civil Claim on November 25, 2016. The Company intends to vigorously defend itself from this lawsuit as it believes it has meritorious defences to this action. Although it is not possible to predict the outcome of the pending litigation, the Company believes that the action will not have a material adverse effect upon the results of operations, cash flow, or financial condition of the Company.

17. SEGMENTED INFORMATION

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

		July 31 2017		July 31 2016
Debt settled with share issuance	**$**	**58,596**	$	906,516
Fair value of stock options cancelled	**$**	**-**	$	9,448
Fair value of stock options exercised	**$**	**46,389**	$	48,249
Fair value of agent warrants to be issued (note 10)	**$**	**4,641,965**	$	-
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**50,771**	$	41,941
Interest received	**$**	**170**	$	843

19. OPERATING LEASE COMMITMENTS

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 ACMPR. The lease began on October 1, 2014 with monthly payments of $757. The vehicle was purchased subsequent to the year end.

The Company signed a 36 month lease for premises with an option for a further two terms of three years each. The lease began on September 1, 2016 with monthly payments of $2,004 plus Goods and Services Tax.

(Expressed in Canadian Dollars)

19. OPERATING LEASE COMMITMENTS (continued)

Future minimum lease payments due in the next three years are as follows:

Year Ended	Amount
2018	$ 24,047
2019	24,047
2020	2,004
	$ 50,098

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to/from related parties, deposits, accounts payable and accrued liabilities, and promissory note payable approximate their carrying values due to the immediate or short-term nature of these instruments. The carrying value of the mortgages payable approximate their fair value as the current interest rates are in line with market interest rates.

b) Fair value hierarchy

IFRS 13, Fair Value Measurement, 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 warrant liability has been classified as a level 2 instrument.

c) Financial risk management

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

20. 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, amounts receivable, and advances to related parties. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. For some advances to/from related parties, the Company expects to limit risk by offsetting the advances from related parties against the promissory note payable.

The Company's financial assets are not subject to material credit risk as it does not anticipate significant loss for non-performance.

ii) Liquidity risk

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

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at July 31, 2017 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.

The Company has entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS ("GEM") for a $10,000,000 capital commitment. Subsequent to the year end, the Company announced a capital commitment from Alumina Partners (Ontario) Ltd. for up to $12,000,000.

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 fair value interest rate risk.

20. 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 significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to cash flow interest rate risk on the promissory note payable nor the advances to/from related parties as they are without interest. The Company is not exposed to cash flow interest rate risk on the mortgages payable due to the fixed interest rates.

The Company may be exposed to fair value interest rate risk if the prevailing market rates increase or decrease compared to the interest rates associated with its financial assets and liabilities. Management does not believe this risk is significant.

(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 a foreign currency.

At July 31, 2017, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts. At July 31, 2017, financial instruments were converted at a rate of $1.00 US to Canadian $1.2485. At July 31, 2017, the cash in US denominated bank accounts was minimal.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(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 not exposed to price risk as it has no investments held for sale.

21. SUBSEQUENT EVENTS

At the close of business on July 31, 2017, THC BioMed Ltd. and THC Meds Inc. were amalgamated and the name THC BioMed Ltd. was retained.

On August 9, 2017, the first draw down from Alumina Partners (Ontario) Ltd. occurred with the issuance of 483,870 units ("Unit") at a price of $0.31 per Unit for gross proceeds of $150,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.3875 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On September 1, 2017, the Company signed a Secondary Site License Agreement ("Agreement") with Canadian Biotechnology and Development Services Ltd.("CBD"). The Agreement provides for the Company to apply to Health Canada for a second site license, the location to be determined by CBD, and the use of the Company's laboratory facilities to conduct experiments in accordance with the ACMPR and the Company's current licensing. CBD will pay the Company a total of $250,000 of which $130,000 is to be paid up front, and an additional $20,000 per month commencing October 1, 2017 to and including March 1, 2018.

On September 5, 2017, 500,000 stock options were exercised at $0.10 per share for gross proceeds of $50,000. The market price on the date of exercise was $0.51.

On September 8, 2017, 84,000 stock options were exercised at $0.10 per share for gross proceeds of $8,400. The market price on the date of exercise was $0.48.

On October 1, 2017, the lease for premises with the CEO and CFO was amended to include 100% of the premises on a month-to-month basis with monthly payments of $3,467 plus Goods and Services Tax along with all operating costs.

On October 2, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 403,226 units ("Unit") at a price of $0.62 per Unit for gross proceeds of $250,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.96 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On October 4, 2017, 7,500 stock options were exercised at $0.385 per share for gross proceeds of $2,888. The market price on the date of exercise was $0.99.

21. SUBSEQUENT EVENTS (continued)

On October 5, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 359,196 units ("Unit") at a price of $0.696 per Unit for gross proceeds of $250,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $1.0875 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On October 12, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 355,115 units ("Unit") at a price of $0.704 per Unit for gross proceeds of $250,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $1.10 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On October 12, 2017, the Company issued 1,430,000 shares at $0.587 per Unit to GEM Global Yield Fund LLC SCS ("GEM") pursuant to the capital commitment agreement dated March 13, 2017 (note 10). In accordance with the agreement dated March 13, 2017, 6,635,000 agent warrants were also issued, exercisable at $1.20 per share until March 13, 2022.

On October 12, 2017, 50,000 stock options were exercised at $0.385 per share for gross proceeds of $19,250. The market price on the date of exercise was $0.89.

On October 17, 2017, 50,000 stock options were exercised at $0.385 per share for gross proceeds of $19,250. The market price on the date of exercise was $0.84.

On October 20, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 333,333 units ("Unit") at a price of $0.60 per Unit for gross proceeds of $200,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.94 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On October 23, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 333,333 units ("Unit") at a price of $0.60 per Unit for gross proceeds of $200,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.94 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On October 27, 2017, 75,000 stock options were exercised at $0.385 per share for gross proceeds of $28,875. The market price on the date of exercise was $0.72.

On October 31, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 362,318 units ("Unit") at a price of $0.552 per Unit for gross proceeds of $200,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.8625 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On November 1, 2017, the Company completed the acquisition of two additional units to add to its existing facilities in Kelowna, British Columbia. The total purchase price of the two units was $485,000 in an arm's-length transaction. $185,000 was paid in cash and a $300,000 mortgage was obtained by the Company. An agent's fee of $10,000 per unit was paid to an arm's length party.

21. SUBSEQUENT EVENTS (continued)

On November 8, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 513,698 units ("Unit") at a price of $0.584 per Unit for gross proceeds of $300,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.9125 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On November 14, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 666,666 units ("Unit") at a price of $0.60 per Unit for gross proceeds of $400,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $0.9375 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.

On November 14, 2017, 18,750 stock options were exercised at $0.385 per share for gross proceeds of $7,219. The market price on the date of exercise was $0.90.

On November 15, 2017, 75,000 stock options were exercised at $0.385 per share for gross proceeds of $28,875. The market price on the date of exercise was $0.87.

On November 20, 2017, the Company announced the creation of THC2GO Dispensaries Ltd., a wholly-owned subsidiary. The Company has begun the application process to become a cannabis retailer in Manitoba and intends to apply for retail outlets in each Canadian province that permits private cannabis outlets.

On November 22, 2017, the Company closed another tranche from Alumina Partners (Ontario) Ltd. with issuance of 1,488,095 units ("Unit") at a price of $0.672 per Unit for gross proceeds of $1,000,000. Each Unit consists of one common share and one common share purchase warrant exercisable at $1.05 per share for a period of 36 months. The warrants were valued at $Nil using the residual value method.