

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2019

(Unaudited)

(Expressed in Canadian Dollars)

THC BIOMED INTL LTD.**Condensed Interim Consolidated Financial Statements**

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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. for the six months ended January 31, 2019 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 a review of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2019. They are signed on the Company's behalf by:

"John Miller"

Director

"Hee Jung Chun"

Director

THC BIOMED INTL LTD.**Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)**

As at	(Unaudited) January 31 2019	(Audited) July 31 2018
Assets		
Current		
Cash	\$ 849,668	\$ 2,007,333
Amounts receivable	110,869	4,754
Goods and services tax receivable	95,843	48,978
Biological assets (note 5)	3,865,814	855,954
Inventory (note 6)	482,619	315,863
Prepaid expenses and deposits	424,956	486,743
Prepaid financing fee (note 9)	4,458,153	4,458,153
	10,287,922	8,177,778
Non-current		
Property and equipment (note 7)	9,427,824	6,302,145
	\$ 19,715,746	\$ 14,479,923
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,165,418	\$ 612,428
Current portion of mortgages payable (note 8)	39,970	38,015
Promissory note payable (note 9)	-	99,004
Advances from related parties (note 14)	753,487	884,605
	4,958,875	1,634,052
Non-current		
Mortgages payable (note 8)	611,197	631,417
	5,570,072	2,265,469
Shareholders' Equity		
Share capital (note 10)	23,701,326	20,120,026
Reserves	10,959,499	8,993,601
Accumulated deficit	(20,515,151)	(16,899,173)
	14,145,674	12,214,454
	\$ 19,715,746	\$ 14,479,923
Nature and continuance of operations (note 1)		
Commitments (note 17)		
Subsequent events (note 19)		

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2019	(Unaudited) January 31 2018	(Unaudited) January 31 2019	(Unaudited) January 31 2018
Revenue (note 12)	\$ 474,041	\$ 305,448	\$ 753,181	\$ 581,685
Inventory expensed to cost of sales	(168,069)	(98,196)	(344,529)	(179,339)
Other costs of sales	(134,034)	(91,679)	(260,077)	(223,413)
Gross profit (loss) before fair value adjustments	171,938	115,573	148,575	178,933
Realized fair value changes in biological assets included in inventory sold	(36,605)	12,470	(105,262)	27,079
Unrealized gain on changes in fair value of biological assets	267,538	594,927	2,847,508	1,336,236
Net change in fair value (note 5)	230,933	607,397	2,742,246	1,363,315
Gross margin	402,871	722,970	2,890,821	1,542,248
Expenses				
General and administration (notes 13 and 14)	500,963	456,710	840,405	756,261
Depreciation and amortization (note 7)	148,031	38,804	251,321	67,283
Sales and marketing	21,011	10,216	28,945	12,281
Share-based compensation (notes 11 and 14)	1,078,794	278,840	2,004,802	714,507
	1,748,799	784,570	3,125,473	1,550,332
Other income (expense) items				
Foreign exchange income (loss)	479	300	(2,815)	(1,296)
Fair value of earn out shares to be issued	(3,377,877)	-	(3,377,877)	-
Loss on sale of asset	-	-	(1,154)	-
Interest income	442	4	450	6
Other	65	75	70	214
Revaluation of agent warrants (note 9)	-	(9,287,483)	-	(9,152,212)
	(3,376,891)	(9,287,104)	(3,381,326)	(9,153,288)
Net and comprehensive loss for the period	\$ (4,722,819)	\$ (9,348,704)	\$ (3,615,978)	\$ (9,161,372)
Basic and diluted loss per share	\$ (0.04)	\$ (0.08)	\$ (0.03)	\$ (0.09)
Weighted average number of shares outstanding	122,271,412	110,824,103	120,834,103	107,411,347

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

THC BIOMED INTL LTD.

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

	Number of Shares	Share Capital	Share Subscription Received in Advance	Share-Based Payment Reserve	Agent Warrants Reserve	Deficit	(Unaudited) Total Equity
Balance, July 31, 2018	118,291,190	\$ 20,120,026	\$ -	\$ 1,032,147	\$ 7,961,454	\$(16,899,173)	\$ 12,214,454
Shares issued for cash	7,254,017	3,500,000	-	-	-	-	3,500,000
Share issue costs	-	(20,167)	-	-	-	-	(20,167)
Stock options exercised	162,500	62,563	-	-	-	-	62,563
Fair value of stock options exercised	-	38,904	-	(38,904)	-	-	-
Share-based compensation	-	-	-	2,004,802	-	-	2,004,802
Loss for the period	-	-	-	-	-	(3,615,978)	(3,615,978)
Balance, January 31, 2019	125,707,707	\$ 23,701,326	\$ -	\$ 2,998,045	\$ 7,961,454	\$(20,515,151)	\$ 14,145,674
Balance, July 31, 2017	103,232,631	\$ 5,420,535	\$ 839,974	\$ 159,051	\$ -	\$(4,440,265)	\$ 1,979,295
Shares issued for cash	7,674,233	5,539,976	(839,974)	-	-	-	4,700,002
Share issue costs	-	(461,305)	-	-	-	-	(461,305)
Stock options exercised	1,272,750	323,569	-	-	-	-	323,569
Fair value of stock options exercised	-	288,647	-	(288,647)	-	-	-
Warrants exercised	1,362,903	1,340,625	-	-	-	-	1,340,625
Reallocation from warrant liability on exercise of agent warrants	-	1,743,583	-	-	-	-	1,743,583
Share -based compensation	-	-	-	714,507	-	-	714,507
Loss for the period	-	-	-	-	-	(9,161,372)	(9,161,372)
Balance, January 31, 2018	113,542,517	\$ 14,195,630	\$ -	\$ 584,911	\$ -	\$(13,601,637)	\$ 1,178,904

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2019	(Unaudited) January 31 2018	(Unaudited) January 31 2019	(Unaudited) January 31 2018
Cash provided by (used for)				
Operating activities				
Net loss for the period	\$ (4,722,819)	\$ (9,348,704)	\$ (3,615,978)	\$ (9,161,372)
Items not affecting cash				
Accrued liabilities	3,396,087	23,796	3,400,623	26,054
Depreciation and amortization	148,031	38,804	251,321	67,283
Loss on sale of asset	-	-	1,154	-
Realized fair value changes in biological assets included in inventory sold	36,605	(12,470)	105,262	(27,079)
Revaluation of agent warrants	-	9,287,483	-	9,152,212
Share-based compensation	1,078,794	278,840	2,004,802	714,507
Unrealized gain on changes of fair value of biological assets	(267,538)	(594,927)	(2,847,508)	(1,336,236)
	(330,840)	(327,178)	(700,324)	(564,631)
Net change in non-cash working capital	79,172	(125,698)	(377,082)	38,175
	(251,668)	(452,876)	(1,077,406)	(526,456)
Financing activities				
Advances repaid to related parties	(35,071)	(120,686)	(131,118)	(465,655)
Issuance of shares for cash, net of share issuance costs	1,487,920	4,715,319	3,542,396	5,902,891
Promissory note repaid	(99,004)	(135,000)	(99,004)	(135,000)
Net mortgage proceeds received (repaid)	(9,248)	292,281	(18,265)	286,087
	1,344,597	4,751,914	3,294,009	5,588,323
Investing activities				
Advances to related parties	-	70,748	-	70,748
Acquisition of property and equipment	(2,058,700)	(729,486)	(3,374,268)	(799,242)
	(2,058,700)	(658,738)	(3,374,268)	(728,494)
Net increase (decrease) in cash	(965,771)	3,640,300	(1,157,665)	4,333,373
Cash, beginning of period	1,815,439	715,925	2,007,333	22,852
Cash, end of period	\$ 849,668	\$ 4,356,225	\$ 849,668	\$ 4,356,225
Supplemental cash flow information (note 16)				

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

THC BIOMED INTL LTD.

Notes to the Condensed Interim Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Six months ended January 31, 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Intl Ltd. (“THC” or the “Company”) is a publicly traded company with its head office at 1340 St. Paul Street, Kelowna, British Columbia, Canada, V1Y 2E1.

The Company’s shares trade on the Canadian Securities Exchange (“CSE”) under the symbol THC, on the Over the Counter Best Market (“OTCQX”) under the symbol THCBF, and on the Frankfurt Stock Exchange under the symbol TFHC.

These condensed interim consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its five wholly owned subsidiaries: THC BioMed Ltd. (just after 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), Clone Shipper Ltd., THC2GO Dispensaries Ltd. (“THC2GO”), THC Laboratories Ltd., and THC BioMed Lesotho Ltd. (“THC Lesotho”).

The Company’s principal business is the production and sale of cannabis through THC BioMed Ltd. which is a small batch Licensed Producer as regulated by the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”) in Canada. Clone Shipper Ltd. owns all rights to the Clone Shipper product used to transport live plants. THC2GO was initially incorporated for the retail business; however, Health Canada subsequently ruled that Licensed Producers were prevented from operating retail outlets. THC Lesotho was initially incorporated to seek a business opportunity in Lesotho; however, no business was transacted.

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 is considered to be in the development stage. These factors create material uncertainties that may 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 18c.

2. BASIS OF PREPARATION

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”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The preparation of the condensed interim consolidated financial statements using accounting policies consistent with IFRS requires management to make certain critical accounting estimates which requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial statements have been set out in Note 2 of the annual audited consolidated financial statements for the year ended July 31, 2018.

THC BIOMED INTL LTD.

Notes to the Condensed Interim Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Six months ended January 31, 2019

2. BASIS OF PREPARATION (continued)

These unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended July 31, 2018, and should be read in conjunction with those statements.

3. NEW ACCOUNTING STANDARDS ADOPTED DURING THE REPORTING PERIOD

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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated 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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) 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 is continuing to assess the impact of this new standard on its consolidated financial statements.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

5. BIOLOGICAL ASSETS

Carrying amount, July 31, 2017	\$ 362,218
Capitalized costs	893,339
Sales	(193,619)
Net write offs of cultivated assets	(525,906)
Transferred to inventory upon harvest	(160,993)
Change in fair value	480,915
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Carrying amount, July 31, 2018	855,954
Capitalized costs	870,449
Sales	(163,147)
Net write offs of cultivated assets	(226,301)
Transferred to inventory upon harvest	(213,387)
Change in fair value	2,742,246
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Carrying amount, January 31, 2019	\$ 3,865,814

Biological assets are presented at their fair value less costs to sell up the point of harvest. Because there is no active commodity market for what is included in biological assets, the valuation of these biological assets is determined using valuation techniques where the inputs are based upon unobservable market data. The biological assets are classified as level 3 under the fair value hierarchy.

The valuation of biological assets is determined using a market approach where fair value at the point of harvest is estimated based on expected selling prices less the costs to sell at harvest. For biological assets that remain in process, the fair value at point of harvest is adjusted based on the stage of growth. Stage of growth is determined by reference to the remaining estimated time until the biological asset is transferred to the next stage of processing or expected destruction.

Mother plants have an average life of 4 months. Clones for sale have approximately 2 weeks before they outgrow the Clone Shipper container. Clones clipped from mother plants for growth into a flowering plant have a 6-week growth phase.

A sensitivity analysis of the impact of changes to the above significant unobservable inputs used to calculate the fair value of biological assets at January 31, 2019 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	\$ 3,092,651	\$ 3,479,233	\$ 3,865,814	\$ 4,252,395	\$ 4,638,977

THC BIOMED INTL LTD.

Notes to the Condensed Interim Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Six months ended January 31, 2019

6. INVENTORY

Carrying amount, July 31, 2017	\$ 180,716
Capitalized costs	105,244
Sales	(113,863)
Net write offs of inventory	(17,227)
Transferred from biological assets upon harvest	160,993
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Carrying amount, July 31, 2018	315,863
Capitalized costs	165,151
Sales	(211,782)
Transferred from biological assets upon harvest	213,387
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Carrying amount, January 31, 2019	\$ 482,619

7. PROPERTY AND EQUIPMENT

	July 31 2017	Additions	July 31 2018	Additions (Dispositions)	January 31 2019
Cost					
Automobile equipment	\$ 6,741	\$ 9,630	\$ 16,371	\$ (6,741)	\$ 9,630
Buildings	756,684	1,918,059	2,674,743	1,490,142	4,164,885
Computer equipment	54,132	11,813	65,945	5,135	71,080
Equipment	198,870	349,012	547,882	520,327	1,068,209
Furniture and fixtures	36,546	1,342	37,888	57,673	95,561
Land	422,613	1,931,126	2,353,739	906,357	3,260,096
Leasehold improvements	-	879,304	879,304	395,546	1,274,850
Software	43,840	31,334	75,174	5,828	81,002
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	\$ 1,519,426	\$ 5,131,620	\$ 6,651,046	\$ 3,374,267	\$ 10,025,313
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	July 31 2017	Depreciation	July 31 2018	Depreciation	January 31 2019
Accumulated Depreciation					
Automobile equipment	\$ 1,011	\$ 3,164	\$ 4,175	\$ (999)	\$ 3,176
Buildings	53,154	33,488	86,642	66,664	153,306
Computer equipment	35,054	13,741	48,795	5,423	54,218
Equipment	31,595	68,358	99,953	70,808	170,761
Furniture and fixtures	7,208	6,001	13,209	5,352	18,561
Leasehold improvements	-	36,620	36,620	92,050	128,670
Software	22,466	37,041	59,507	9,290	68,797
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	\$ 150,488	\$ 198,413	\$ 348,901	\$ 248,588	\$ 597,489
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Carrying Amounts	\$ 1,368,938		\$ 6,302,145		\$ 9,427,824

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

7. PROPERTY AND EQUIPMENT (continued)

During the six months ended January 31, 2019, the Company sold an automobile to an arm's length employee with a cost of \$6,741, a net book value of \$4,154, for proceeds of \$3,000.

8. MORTGAGES PAYABLE

The Company has a mortgage payable on its first property acquired in the principal amount of \$210,560. The mortgage was initially with interest at 5.50% per annum with monthly payments of \$2,760 due on the 21st day of each month and due on September 21, 2015. The mortgage was extended to mature on August 21, 2018 with interest at 10% per annum starting on September 22, 2015. The mortgage has been extended again to August 21, 2021 on the same terms. At January 31, 2019, the balance payable is \$147,376 (July 31, 2018 - \$156,261) with accrued interest of \$404 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on its second property acquired in the principal amount of \$250,000. The mortgage was initially with interest at 10% per annum with monthly payments of \$2,656 due on the 2nd day of each month and due on October 2, 2017. The mortgage has been extended to mature on October 2, 2020 on the same terms. At January 31, 2019, the balance payable is \$213,942 (July 31, 2018 - \$218,942) with accrued interest of \$1,700 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a subsequent property acquired in the principal amount of \$300,000 with interest at 10% per annum with monthly payments of \$3,187 due on the 1st day of each month and due on November 1, 2022. At January 31, 2019, the balance payable is \$289,849 (July 31, 2018 - \$294,229) with accrued interest of \$2,382 included in accounts payable and accrued liabilities.

9. CAPITAL COMMITMENTS**GEM Global Yield Fund LLC SCS**

On March 13, 2017, the Company entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS ("GEM") for a \$10 million capital commitment from GEM to invest into THC. Proceeds raised from the investment was for working capital and general corporate purposes, and in particular, to close the acquisition of the Clone Shipper assets.

THC has the right to draw down under the Capital Commitment Agreement for a term of two years to March 31, 2019. 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.

THC BIOMED INTL LTD.

Notes to the Condensed Interim Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Six months ended January 31, 2019

9. 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. The remaining balance of this promissory note as at January 31, 2019 is \$Nil (July 31, 2018 - \$99,004).

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.

As at July 31, 2017, the agent warrants were recorded as a derivative liability as the value was based on inputs that were subject to change. The agent warrants were not on a fixed for fixed basis as the number of warrants were fixed, but the exercise price was 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 had 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 had 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 July 31, 2017 produced a gain of \$2,225,501.

On January 31, 2018, 1,000,000 agent warrants were exercised at \$1.20 which reduced the warrant liability by \$1,743,583.

On March 13, 2018, 250,000 agent warrants were exercised at \$1.20 which reduced the warrant liability by \$370,648.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

9. CAPITAL COMMITMENTS (continued)**GEM Global Yield Fund LLC SCS (continued)**

At March 13, 2018, the exercise price of the warrants became fixed at \$1.20 per warrant and the balance of the agent warrants were revalued. The agent warrants had a fair value calculated using the Black-Scholes option pricing model of \$7,961,454 or \$1.48 per agent warrant, assuming an expected life of 4 years, a risk-free interest rate of 2.08%, an expected dividend rate of 0.00%, stock price of \$1.60, and an expected annual volatility coefficient of 169%. Volatility was determined using historical stock prices. The revaluation of the agent warrants during the year ended July 31, 2018 produced a loss of \$7,659,221.

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.

At January 31, 2019, there is \$9,160,026 available for further subscriptions.

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 is to be a subscription of common shares and warrants referred to as a unit ("Unit").

Following the initial subscription, the Company may request that Alumina subscribe for subsequent tranches a minimum of five trading days following the issuance of the previous tranche.

The purchase price for each Unit 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.

At January 31, 2019, there have been 20 tranches for a total issuance of 15,602,770 Units (see Note 10a) for gross proceeds of \$11,131,554 (July 31, 2018 – \$7,631,554) leaving a balance of \$868,446 available for further subscriptions.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

10. SHARE CAPITAL**a) Common shares****Authorized:**

Unlimited number of common shares without par value

Issued:

	Issued Number	Amount
Balance, July 31, 2017	103,232,631	\$ 5,420,535
Shares issued for cash	10,141,656	8,471,524
Share issue costs	-	(473,451)
Stock options exercised	1,604,000	451,100
Fair value of stock options exercised	-	268,462
Warrants exercised	362,903	140,625
Agent warrants exercised	1,250,000	1,500,000
Reallocation from warrant liability on exercise of agent warrants	-	2,114,231
Settlement with Jacob Securities	1,700,000	2,227,000
Balance, July 31, 2018	118,291,190	20,120,026
Shares issued for cash	7,254,017	3,500,000
Share issue costs	-	(20,167)
Stock options exercised	162,500	62,563
Fair value of stock options exercised	-	38,904
Balance, January 31, 2019	125,707,707	\$ 23,701,326

During the year ended July 31, 2017: 666,000 options were exercised at \$0.10 for gross proceeds of \$66,600; 250,000 options were exercised at \$0.15 for gross proceeds of \$37,500; 4,209,583 warrants were exercised at \$0.15 for gross proceeds of \$631,437; and 774,332 warrants were exercised at \$0.60 for gross proceeds of \$464,600. The weighted average market price during the year when options and warrants were exercised was \$0.60.

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) for gross proceeds of \$839,974. 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. The Company recorded share issue costs of \$408,812 in connection with this financing. The amount was deducted from the prepaid financing fee (Note 9).

On April 23, 2018, 1,700,000 common shares were issued with a fair value of \$2,227,000 pursuant to a settlement agreement with Jacob Securities Inc.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

10. SHARE CAPITAL (continued)**a) Common shares (continued)**

During the year ended July 31, 2018, the Company closed 15 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 8,711,656 Units at a weighted average price of \$0.8760 for total gross proceeds of \$7,631,550. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of \$1.3648 for a period of 36 months from the date of issue. Warrants were valued at \$Nil using the residual value method. The Company paid \$64,639 of share issue costs in connection with these financings.

During the year ended July 31, 2018: 584,000 options were exercised at \$0.10 for gross proceeds of \$58,400; 1,020,000 options were exercised at \$0.385 for gross proceeds of \$392,700; 362,903 warrants were exercised at \$0.3875 for gross proceeds of \$140,625; and 1,250,000 agent warrants were exercised at \$1.20 for gross proceeds of \$1,500,000. The weighted average market price during the year when options and warrants were exercised was \$1.38.

During the six months ended January 31, 2019, the Company closed 5 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 7,254,017 Units at a weighted average price of \$0.48 for total gross proceeds of \$3,500,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of \$0.77 for a period of 36 months from the date of issue. Warrants were valued at \$Nil using the residual value method. The Company paid \$20,167 of share issue costs in connection with these financings.

During the six months ended January 31, 2019, 162,500 options were exercised at \$0.385 for gross proceeds of \$62,563.

b) Escrow shares

Currently 690 common shares (July 31, 2018 – 690) are held in escrow.

c) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2017	-	\$ -
Warrants issued	8,711,656	1.3648
Warrants exercised	(362,903)	0.3875
Balance, July 31, 2018	8,348,753	1.4073
Warrants issued	7,254,017	0.7744
Balance, January 31, 2019	15,602,770	\$ 1.1130

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

10. SHARE CAPITAL (continued)**c) Warrants outstanding (continued)**

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
August 9, 2020	1.52	120,967	\$ 0.3875
October 2, 2020	1.68	403,226	0.9600
October 5, 2020	1.68	359,196	1.0875
October 12, 2020	1.70	355,115	1.1000
October 20, 2020	1.72	333,333	0.9400
October 23, 2020	1.73	333,333	0.9400
October 31, 2020	1.75	362,318	0.8625
November 8, 2020	1.77	513,698	0.9125
November 14, 2020	1.79	666,666	0.9375
November 23, 2020	1.82	1,488,095	1.0500
January 15, 2021	1.96	314,070	2.4900
January 24, 2021	1.98	631,313	2.4800
February 8, 2021	2.03	1,002,673	2.0800
March 2, 2021	2.09	932,835	1.6800
March 15, 2021	2.12	531,915	1.7630
September 25, 2021	2.65	1,344,086	1.1625
October 2, 2021	2.67	1,428,572	1.0875
December 10, 2021	2.86	1,449,275	0.5750
January 18, 2022	2.96	1,479,289	0.5630
January 30, 2022	2.99	1,552,795	0.5380
		15,602,770	\$ 1.1130

d) Agent warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2017	-	\$ -
Warrants issued	6,635,000	1.20
Warrants exercised	(1,250,000)	1.20
Balance, July 31, 2018 and January 31, 2019	5,385,000	\$ 1.20

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
March 13, 2022	3.11	5,385,000	\$ 1.20

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

11. SHARE-BASED COMPENSATION

The Company is authorized to grant options to directors, officers, employees, and consultants to acquire common shares under 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, 2017	4,999,000	\$ 0.352
Options granted	1,000,000	1.100
Options exercised	(1,604,000)	(0.281)
Options cancelled	(56,250)	0.385
Balance, July 31, 2018	4,338,750	0.550
Options granted	5,550,000	0.890
Options exercised	(162,500)	0.385
Options cancelled	(75,000)	0.890
Balance, January 31, 2019	9,651,250	\$ 0.746

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
July 25, 2017	July 25, 2019	0.48	3,176,250	3,176,250	\$ 0.385
June 4, 2018	June 4, 2020	1.34	500,000	1,000,000	\$ 1.100
September 25, 2018	September 25, 2020	1.66	1,368,750	5,475,000	\$ 0.890
			5,045,000	9,651,250	\$ 0.746

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

11. SHARE-BASED COMPENSATION (continued)

On July 25, 2017, the Company granted 4,415,000 stock options to directors, certain 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%, a stock price of \$0.375 and an expected annual volatility coefficient of 129%. Volatility was determined using historical stock prices.

On June 4, 2018, the Company granted 1,000,000 stock options to directors, certain employees, and a consultant to acquire 1,000,000 common shares of the Company with an expiry date of June 4, 2020 at \$1.10 per share. 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 \$642,371 or \$0.64 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.93%, an expected dividend rate of 0.00%, stock price of \$1.10 and an expected annual volatility coefficient of 113%. Volatility was determined using historical stock prices.

During the year ended July 31, 2018, 56,250 stock options were cancelled that were exercisable at \$0.385 per share. The options had not vested.

On September 25, 2018, the Company granted 5,550,000 stock options to directors, certain employees, and a consultant to acquire 5,550,000 common shares of the Company with an expiry date of September 25, 2020 at \$0.89 per share. 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. Options terminate immediately upon cessation of services by the optionee to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$2,677,343 or \$0.48 per option, assuming an expected life of 2 years, a risk-free interest rate of 2.20%, an expected dividend rate of 0.00%, stock price of \$0.89 and an expected annual volatility coefficient of 103%. Volatility was determined using historical stock prices.

During the six months ended January 31, 2019, 75,000 stock options were cancelled that were exercisable at \$0.89 per share. Only 7,500 of the options had vested.

12. REVENUE

The total revenue earned for the six months ended January 31, 2019 includes sales revenue of \$753,181 (January 31, 2018 - \$438,828) and consulting fees of \$Nil (January 31, 2018 - \$142,857).

THC BIOMED INTL LTD.

Notes to the Condensed Interim Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Six months ended January 31, 2019

13. GENERAL AND ADMINISTRATIVE EXPENSES

Following is a breakdown of general and administrative expenses:

	For the three months ended		For the six months ended	
	January 31	January 31	January 31	January 31
	2019	2018	2019	2018
Automobile expenses	\$ 1,176	\$ 613	\$ 2,568	\$ 4,326
Bank charges and interest	21,159	32,189	43,402	45,857
Consulting fees	66,185	16,611	75,329	16,611
Director fees	8,084	14,598	14,146	20,722
Insurance	10,142	7,970	16,587	13,683
Investor relations	18,341	7,953	29,430	45,386
Legal and accounting	128,443	115,283	264,554	202,524
Office and sundry	30,173	13,027	59,473	25,723
Payroll	87,820	59,514	163,711	106,961
Property tax	9,352	739	18,121	3,080
Rent	7,800	25,884	17,800	52,012
Repairs and maintenance	11,603	56,954	13,542	66,390
Strata fees	3,559	4,229	7,383	7,090
Telephone	3,783	4,947	8,361	9,926
Transfer agent and filing fees	27,329	45,854	31,143	73,194
Travel	62,286	46,399	70,364	57,629
Utilities	3,728	3,946	4,491	5,147
	\$ 500,963	\$ 456,710	\$ 840,405	\$ 756,261

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 six months ended January 31, 2019 and 2018:

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	January 31, 2019 Total
Ashish Dave	\$ 3,500	\$ -	\$ -	\$ 152,363	\$ 155,863
Chief Executive Officer	3,500	26,000	30,000	152,363	211,863
Chief Financial Officer	3,500	41,600	30,000	152,363	227,463
Close family member	-	-	28,000	76,182	104,182
George Smitherman	3,500	-	-	152,363	155,863
	\$ 14,000	\$ 67,600	\$ 88,000	\$ 685,634	\$ 855,234

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

14. RELATED PARTY TRANSACTIONS (continued)

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	January 31, 2018 Total
Ashish Dave	\$ 4,000	\$ -	\$ -	\$ 96,183	\$ 100,183
Chief Executive Officer	4,000	12,134	81,800	96,183	194,117
Chief Financial Officer	4,000	27,734	81,800	96,183	209,717
Close family member	-	-	29,031	48,091	77,122
George Smitherman	4,000	-	-	96,183	100,183
	\$ 16,000	\$ 39,868	\$ 192,631	\$ 432,823	\$ 681,322

Ashish Dave receives a director fee of \$500 per month. On July 25, 2017, Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.385 with a total fair value of \$119,706. On September 25, 2018, Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.89 with a total fair value of \$241,202 of which \$152,363 vested during the period.

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 and receives a director fee of \$500 per month. On July 25, 2017, the CEO was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.385 with a total fair value of \$119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.89 with a total fair value of \$241,202 of which \$152,363 vested during the period.

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 and receives a director fee of \$500 per month. On July 25, 2017, the CFO was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.385 with a total fair value of \$119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.89 with a total fair value of \$241,202 of which \$152,363 vested during the period. At January 31, 2019, the Company owed the CFO \$753,487 (July 31, 2018 - \$884,605).

The Company initially 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 75% of all operating costs. Effective June 17, 2018, the lease was amended to a fixed term expiring August 31, 2019 with the right to renew the lease under the same terms for four three-year terms for \$3,467 per month plus Goods and Services Tax along with 100% of all operating costs. A security deposit of \$3,467 was also paid.

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. Effective June 17, 2018, the lease was amended to a fixed term expiring August 31, 2019, 2019 with the right to renew the lease under the same terms for four three-year terms for \$2,600 per month plus Goods and Services Tax along with 100% of all operating costs. A security deposit of \$2,600 was also paid.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

14. RELATED PARTY TRANSACTIONS (continued)

The Company initially signed a month-to-month lease for premises from the CEO and CFO. The lease began on October 2, 2017 with monthly payments of \$2,600 plus Goods and Services Tax along with all operating costs. Effective June 17, 2018, the lease was amended to a fixed term expiring September 30, 2019 with the right to renew the lease under the same terms for four three-year terms for \$2,600 per month plus Goods and Services Tax along with 100% of all operating costs. A security deposit of \$2,600 was also paid.

The Company initially signed a month-to-month lease for premises from the CEO and CFO. The lease began on December 1, 2017 with monthly payments of \$2,600 plus Goods and Services Tax along with all operating costs. Effective June 17, 2018, the lease was amended to a fixed term expiring August 31, 2019 with the right to renew the lease under the same terms for four three-year terms for \$2,600 per month plus Goods and Services Tax along with 100% of all operating costs. A security deposit of \$2,600 was also paid.

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 \$25. On July 25, 2017, this close 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. On September 25, 2018, this close family member was granted 250,000 stock options that vest over 12 months with an exercise price of \$0.89 with a total fair value of \$120,601 of which \$76,182 vested during the period.

George Smitherman receives a director fee of \$500 per month. On July 25, 2017, Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.385 with a total fair value of \$119,706. On September 25, 2018, Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of \$0.89 with a total fair value of \$241,202 of which \$152,363 vested during the period.

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. SEGMENTED INFORMATION

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

	January 31 2019	January 31 2018
Fair value of stock options exercised	\$ 38,904	\$ 288,647
Income taxes paid	\$ -	\$ -
Interest paid	\$ 29,726	\$ 30,165
Interest received	\$ 450	\$ 6

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

17. OPERATING LEASE COMMITMENTS

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

Year Ended	Amount
2019	\$ 67,600
2020	13,867
	\$ 81,467

18. 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 biological assets are categorized as Level 3. The significant unobservable inputs used to fair value biological assets include estimating the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, and expected yields from the marijuana plants.

c) Financial risk management

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

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2019

18. FINANCIAL INSTRUMENTS AND 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 receivable. 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. At January 31, 2019, all amounts receivable are current.

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 sales and debt or equity financing. Cash on hand at January 31, 2019 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational and expansion 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 for up to \$10,000,000 and Alumina Partners (Ontario) Ltd. for up to \$12,000,000 of which subscriptions totaling \$9,160,026 (July 31, 2018 - \$9,160,026) and \$868,446 (July 31, 2018 - \$4,368,446) are available at January 31, 2019.

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.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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18. 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 January 31, 2019, the Company is exposed to foreign currency risk with respect to its US and Lesotho Loti ("LSL") denominated bank accounts and an amount held in trust in Australia.

At January 31, 2019, financial instruments were converted at a rate of \$1 US dollar to \$1.3144 Canadian; 10.301 LSL to \$1 Canadian; and \$0.9561 Australian to \$1 Canadian.

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.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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18. 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.

19. SUBSEQUENT EVENTS

On February 1, 2019, the Company secured a \$500,000 commercial operating loan with Sharons Credit Union for business operating funds using the property at St. Paul Street in Kelowna, British Columbia as collateral. The interest rate is the Credit Union's Prime Lending Rate plus 1%. The loan is payable upon demand and subject to an annual review.

On February 8, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,449,275 Units at a price of \$0.345 for total gross proceeds of \$500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of \$0.575 per share.

On February 13, 2019, the Company issued 14,074,486 earn out shares to the original shareholders of THC's predecessor companies pursuant to the Earn Out Share provisions on the original share exchange agreement for the reverse takeover taking the Company public in January of 2015. The shares were issued at a price of \$0.24 per shares after apply a 25% discount as the shares are subject to a lockup agreement for 36 months from the date of issuance.

On February 28, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,623,377 Units at a price of \$0.308 for total gross proceeds of \$500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of \$0.512 per share.

On February 28, 2019, the Company closed the acquisition of an additional strata lot in the industrial complex in Kelowna for its production facilities. The purchase price was \$350,000 plus fees and taxes for a total of \$367,267. The Company closed the transaction with cash and did not require a mortgage.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)**

For the Six months ended January 31, 2019

19. SUBSEQUENT EVENTS (continued)

On March 8, 2019, the Company granted 6,700,000 stock options to directors, certain employees, and a consultant to acquire 6,700,000 common shares of the Company with an expiry date of March 8, 2021 at \$0.42 per share. 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. Options terminate immediately upon cessation of services by the optionee to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$1,486,699 or \$0.22 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.65%, an expected dividend rate of 0.00%, stock price of \$0.41 and an expected annual volatility coefficient of 104%. Volatility was determined using historical stock prices.

On March 14, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,623,377 Units at a price of \$0.308 for total gross proceeds of \$500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of \$0.512 per share.