THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2019

(Unaudited)

(Expressed in Canadian Dollars)

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of THC BioMed Intl Ltd. for the nine months ended April 30, 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 June 27, 2019. They are signed on the Company's behalf by:

"John Miller"	*"Hee Jung Chun"*
Director	Director

THC BIOMED INTL LTD.

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

As at	(Unaudited) April 30 2019	(Audited) July 31 2018
Assets		
Current		
Cash	$ 298,605	$ 2,007,333
Amounts receivable (note 5)	248,573	4,754
Goods and services tax receivable	118,588	48,978
Biological assets (note 6)	5,273,185	855,954
Inventory (note 7)	461,004	315,863
Prepaid expenses and deposits	511,541	486,743
Prepaid financing fee (note 11)	-	4,458,153
	6,911,496	8,177,778
Non-current		
Property and equipment (note 8)	12,101,042	6,302,145
	$ 19,012,538	$ 14,479,923
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,730,443	$ 612,428
Commerical operating loan (note 9)	12,383	-
Current portion of mortgages payable (note 10)	45,749	38,015
Promissory note payable (note 11)	-	99,004
Advances from related parties (note 16)	745,027	884,605
	2,533,602	1,634,052
Non-current		
Mortgages payable (note 10)	765,578	631,417
	3,299,180	2,265,469
Shareholders' Equity		
Share capital (note 12)	29,063,091	20,120,026
Reserves	11,999,774	8,993,601
Accumulated deficit	(25,349,507)	(16,899,173)
	15,713,358	12,214,454
	$ 19,012,538	$ 14,479,923

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

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 nine months ended	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	April 30	April 30	**April 30**	April 30
	2019	2018	**2019**	2018
Revenue (note 14)	**$ 354,326**	$ 179,771	**$ 1,107,507**	$ 761,456
Production costs	**(466,304)**	(330,275)	**(1,070,910)**	(733,027)
Gross profit (loss) before fair value adjustments	**(111,978)**	(150,504)	**36,597**	28,429
Realized fair value changes in biological assets included in inventory sold	**(31,437)**	10,177	**(136,699)**	(243,699)
Unrealized gain on changes in fair value of biological assets	**1,357,262**	(720,402)	**4,204,770**	896,789
Net change in fair value (note 6)	**1,325,825**	(710,225)	**4,068,071**	653,090
Gross margin	**1,213,847**	(860,729)	**4,104,668**	681,519
Expenses				
General and administration (notes 15 and 16)	**360,290**	429,109	**1,200,695**	1,185,370
Depreciation and amortization (note 8)	**179,647**	28,266	**430,968**	95,549
Sales and marketing	**6,759**	10,951	**35,704**	23,232
Share-based compensation (notes 12 and 13)	**1,116,433**	137,697	**3,121,235**	852,204
	1,663,129	606,023	**4,788,602**	2,156,355
Other income (expense) items				
Fair value of earn out shares issued (note 12)	**-**	-	**(3,377,877)**	-
Financing fees (note 11)	**(4,458,153)**	-	**(4,458,153)**	-
Foreign exchange loss	**(3,949)**	(3,083)	**(6,764)**	(4,379)
Interest income	**246**	2	**696**	8
Gain (loss) on sale of assets (note 8)	**548**	-	**(606)**	-
Other	**76**	396	**146**	610
Revaluation of agent warrants (note 11)	**-**	3,607,192	**-**	(5,545,020)
Settlement (note 12)	**-**	(2,227,000)	**-**	(2,227,000)
	(4,461,232)	1,377,507	**(7,842,558)**	(7,775,781)
Net and comprehensive loss for the period	**$ (4,910,514)**	$ (89,245)	**$ (8,526,492)**	$ (9,250,617)
Basic and diluted loss per share	**$ (0.03)**	$ (0.00)	**$ (0.07)**	$ (0.08)
Weighted average number of shares outstanding	**141,698,869**	115,054,608	**127,635,357**	109,898,578

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, 2017	103,232,631	$ 5,420,535	$ 839,974	$ 159,051	$ -	$ (4,440,265)	$ 1,979,295
Shares issued for cash	10,141,656	8,471,527	(839,974)	-	-	-	7,631,553
Share issue costs	-	(473,454)	-	-	-	-	(473,454)
Stock options exercised	1,566,500	436,662	-	-	-	-	436,662
Fair value of stock options exercised	-	365,189	-	(365,189)	-	-	-
Warrants exercised	362,903	140,625	-		-	-	140,625
Agent warrants exercised	1,250,000	1,500,000	-	-	-	-	1,500,000
Reallocation from warrant liability on exercise of agent warrants (note 11)	-	2,114,231	-	-	-	-	2,114,231
Reallocation of agent warrants from financing fee liability (note 11)	-	-	-	-	5,847,253	-	5,847,253
Shares issued for debt	1,700,000	2,227,000	-	-	-	-	2,227,000
Share -based compensation	-	-	-	852,204	-	-	852,204
Net loss for the period	-	-	-	-	-	(9,250,617)	(9,250,617)
Balance, April 30, 2018	118,253,690	$ 20,202,315	$ -	$ 646,066	$ 5,847,253	$(13,690,882)	$ 13,004,752
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	13,851,187	5,500,000	-	-	-	-	5,500,000
Share issue costs	-	(36,279)	-	-	-	-	(36,279)
Stock options exercised	162,500	62,563	-	-	-	-	62,563
Fair value of stock options exercised	-	38,904	-	(38,904)	-	-	-
Reverse fair value of stock options cancelled	-	-	-	(76,158)	-	76,158	-
Earn out shares issued (note 12)	14,074,486	3,377,877	-	-	-	-	3,377,877
Share-based compensation	-	-	-	3,121,235	-	-	3,121,235
Net loss for the period	-	-	-	-	-	(8,526,492)	(8,526,492)
Balance, April 30, 2019	**146,379,363**	**$ 29,063,091**	**$ -**	**$ 4,038,320**	**$ 7,961,454**	**$(25,349,507)**	**$ 15,713,358**

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 nine months ended	
	(Unaudited) April 30 2019	(Unaudited) April 30 2018	**(Unaudited) April 30 2019**	(Unaudited) April 30 2018
Cash provided by (used for)				
Operating activities				
Net loss for the period	**$ (4,910,514)**	$ (89,245)	**$ (8,526,492)**	$ (9,250,617)
Items not affecting cash				
Accrued liabilities	**(3,358,235)**	(212)	**42,388**	25,842
Depreciation and amortization	**176,132**	28,266	**427,453**	95,549
Earn out shares issued	**3,377,877**	-	**3,377,877**	-
Financing fees	**4,458,153**	-	**4,458,153**	-
Gain (loss) on sale of assets	**(548)**	-	**606**	-
Realized fair value changes in biological assets included in inventory sold	**(328)**	-	**104,934**	243,699
Revaluation of agent warrants	**-**	(3,607,192)	**-**	5,545,020
Settlement	**-**	2,227,000	**-**	2,227,000
Share-based compensation	**1,116,433**	137,697	**3,121,235**	852,204
Unrealized gain on changes in fair value of biological assets	**(1,325,497)**	710,225	**(4,173,005)**	(896,789)
	(466,527)	(593,461)	**(1,166,851)**	(1,158,092)
Net change in non-cash working capital	**617,181**	(175,554)	**240,099**	(137,379)
	150,654	(769,015)	**(926,752)**	**(1,295,471)**
Financing activities				
Advances repaid to related parties	**(8,460)**	(100,920)	**(139,578)**	(566,575)
Proceeds from line of credit	**12,383**	-	**12,383**	-
Issuance of shares for cash, net of share issuance costs	**1,983,888**	3,332,495	**5,526,284**	9,235,386
Promissory note repaid	**-**	-	**(99,004)**	(135,000)
Net mortgage proceeds received	**160,160**	(8,943)	**141,895**	277,144
	2,147,971	3,222,632	**5,441,980**	8,810,955
Investing activities				
Advances repaid from related parties	**-**	-	**-**	70,748
Acquisition of property and equipment	**(2,849,688)**	(2,284,939)	**(6,223,956)**	(3,084,181)
	(2,849,688)	(2,284,939)	**(6,223,956)**	(3,013,433)
Net increase (decrease) in cash	**(551,063)**	168,678	**(1,708,728)**	4,502,051
Cash, beginning of period	**849,668**	4,356,225	**2,007,333**	22,852
Cash, end of period	**$ 298,605**	$ 4,524,903	**$ 298,605**	$ 4,524,903

Supplemental cash flow information (note 18)

The accompanying notes are an integral part of these condensed interim 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 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 *Cannabis Act* 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. Management has determined there is no necessity for THC Laboratories Ltd. and it will soon be wound-up. 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 20c.

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.

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 has determined the change in standard will have little impact on the Company’s consolidated financial statements.

(Expressed in Canadian Dollars)

5. ACCOUNTS RECEIVABLE

	April 30 2019	July 31 2018
Other	$ 3,000	$ -
Trade receivables	245,573	4,754
	$ 248,573	$ 4,754

6. BIOLOGICAL ASSETS

Carrying amount, July 31, 2017	$ 362,218
Capitalized costs	893,339
Transferred to inventory upon harvest	(160,993)
Changes in fair value less cost to sell due to biological transformation	(238,610)
Carrying amount, July 31, 2018	855,954
Capitalized costs	1,226,643
Transferred to inventory upon harvest	(393,570)
Changes in fair value less production costs due to biological transformation	3,584,158
Carrying amount, April 30, 2019	**$ 5,273,185**

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 pries 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 April 30, 2019 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	$ 4,218,548	$ 4,745,867	$ 5,273,185	$ 5,800,504	$ 6,327,822

(Expressed in Canadian Dollars)

7. INVENTORY

Carrying amount, July 31, 2017	$ 180,716
Capitalized costs	105,244
Transferred from biological assets upon harvest	160,993
Production costs	(131,090)
Carrying amount, July 31, 2018	315,863
Capitalized costs	503,334
Transferred from biological assets upon harvest	393,570
Production costs	(751,763)
Carrying amount, April 30, 2019	**$ 461,004**

8. PROPERTY AND EQUIPMENT

	July 31 2017	Additions	**July 31 2018**	Additions (Dispositions)	**April 30 2019**
Cost					
Automobile equipment	$ 6,741	$ 9,630	**$ 16,371**	$ 17,229	**$ 33,600**
Buildings	756,684	1,918,059	**2,674,743**	3,308,321	**5,983,064**
Computer equipment	54,132	11,813	**65,945**	7,710	**73,655**
Equipment	198,870	349,012	**547,882**	790,969	**1,338,851**
Furniture and fixtures	36,546	1,342	**37,888**	60,479	**98,367**
Land	422,613	1,931,126	**2,353,739**	1,333,110	**3,686,849**
Leasehold improvements	-	879,304	**879,304**	700,310	**1,579,614**
Software	43,840	31,334	**75,174**	5,828	**81,002**
	$ 1,519,426	$ 5,131,620	**$ 6,651,046**	$ 6,223,956	**$ 12,875,002**

	July 31 2017	Depreciation	**July 31 2018**	Depreciation	**April 30 2019**
Accumulated Depreciation					
Automobile equipment	$ 1,011	$ 3,164	**$ 4,175**	$ (395)	**$ 3,780**
Buildings	53,154	33,488	**86,642**	127,267	**213,909**
Computer equipment	35,054	13,741	**48,795**	8,665	**57,460**
Equipment	31,595	68,358	**99,953**	126,512	**226,465**
Furniture and fixtures	7,208	6,001	**13,209**	8,238	**21,447**
Leasehold improvements	-	36,620	**36,620**	140,836	**177,456**
Software	22,466	37,041	**59,507**	13,936	**73,443**
	$ 150,488	$ 198,413	**$ 348,901**	$ 425,059	**$ 773,960**
Carrying Amounts	$ 1,368,938		**$ 6,302,145**		**$ 12,101,042**

8. PROPERTY AND EQUIPMENT (continued)

During the nine months ended April 30, 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. The Company sold a second vehicle to an arm's length party with a cost of $9,630, a net book value of $6,452, for proceeds of $7,000.

9. COMMERCIAL OPERATING LOAN

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. At April 30, 2019, the balance payable is $12,383.

10. 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 the mortgage 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 April 30, 2019, the balance payable is $142,683 (July 31, 2018 - $156,261) with accrued interest of $391 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 the mortgage due on October 2, 2017. The mortgage has been extended to mature on October 2, 2020 on the same terms. At April 30, 2019, the balance payable is $ 211,229 (July 31, 2018 - $218,942) with accrued interest of $1,678 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 the mortgage due on November 1, 2022. At April 30, 2019, the balance payable is $ 287,415 (July 31, 2018 - $294,229) with accrued interest of $2,362 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a property recently acquired in the principal amount of $170,000 with interest at 4.7% per annum with monthly payments of $1,100 due on the 1st day of each month starting May 1, 2019 with the mortgage due on May 1, 2039. At April 30, 2019, the balance payable is $170,000 with accrued interest of $285 included in accounts payable and accrued liabilities.

11. 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 had the right to draw down under the Capital Commitment Agreement for a term of two years to March 31, 2019. Common shares were 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 was subject to certain market out rights of GEM (as defined in the agreement) and approval of the CSE. GEM would hold freely trading common shares of the Company through a share lending facility provided by the current Chief Executive Officer and Chief Financial Officer.

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 was payable by THC at the 18-month date even if THC made no demands on the capital commitment. If GEM failed to invest pursuant to the terms of the Capital Commitment Agreement, the fee was not payable by THC. THC could 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 April 30, 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.

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.

11. CAPITAL COMMITMENTS (continued)

GEM Global Yield Fund LLC SCS (continued)

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.

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 was to be reduced on a pro-rated basis as the drawdowns occurred and would be recorded in share capital as a share issuance cost. Any remaining balance at the end of the term was to be expensed in profit or loss as a financing fee. The prepaid financing fee was expensed on March 13, 2019 in the amount of $3,377,877 (April 30, 2018 - $Nil).

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.

(Expressed in Canadian Dollars)

11. CAPITAL COMMITMENTS (continued)

Alumina Partners (Ontario) Ltd. (continued)

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 April 30, 2019, there have been 24 tranches for a total issuance of 22,199,940 Units (see Note 11a) for gross proceeds of $13,131,554 (July 31, 2018 – $7,631,554).

12. 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	13,851,187		5,500,000
Share issue costs	-		(36,279)
Stock options exercised	162,500		62,563
Fair value of stock options exercised	-		38,904
Earn out shares issued	14,074,486		3,377,877
Balance, April 30, 2019	**146,379,363**	**$**	**29,063,091**

12. SHARE CAPITAL (continued)

a) Common shares (continued)

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.

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.

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

During the nine months ended April 30, 2019, the Company closed 9 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 13,851,187 Units at a weighted average price of $0.40 for total gross proceeds of $5,500,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of $0.65 for a period of 36 months from the date of issue. Warrants were valued at $Nil using the residual value method. The Company paid $36,279 of share issue costs in connection with these financings.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

During the nine months ended April 30, 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	13,851,187	0.6459
Balance, April 30, 2019	**22,199,940**	**$ 0.9322**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

c) Warrants outstanding

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
August 9, 2020	1.28	120,967	$ 0.3875
October 2, 2020	1.44	403,226	0.9600
October 5, 2020	1.44	359,196	1.0875
October 12, 2020	1.46	355,115	1.1000
October 20, 2020	1.48	333,333	0.9400
October 23, 2020	1.49	333,333	0.9400
October 31, 2020	1.51	362,318	0.8625
November 8, 2020	1.53	513,698	0.9125
November 14, 2020	1.55	666,666	0.9375
November 23, 2020	1.58	1,488,095	1.0500
January 15, 2021	1.72	314,070	2.4900
January 24, 2021	1.74	631,313	2.4800
February 8, 2021	1.79	1,002,673	2.0800
March 2, 2021	1.85	932,835	1.6800
March 15, 2021	1.88	531,915	1.7630
September 25, 2021	2.41	1,344,086	1.1625
October 2, 2021	2.42	1,428,572	1.0875
December 10, 2021	2.61	1,449,275	0.5750
January 18, 2022	2.72	1,479,289	0.5630
January 30, 2022	2.75	1,552,795	0.5380
February 8, 2022	2.78	1,449,275	0.5750
February 28, 2022	2.83	1,623,377	0.5120
March 14, 2022	2.87	1,623,377	0.5120
March 29, 2019	2.91	1,901,141	0.4380
		22,199,940	$ 0.9322

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

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 April 30, 2019	**5,385,000**	**$ 1.20**

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
March 13, 2022	2.87	5,385,000	$ 1.20

13. 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:

(Expressed in Canadian Dollars)

13. SHARE-BASED COMPENSATION (continued)

	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	12,250,000		0.633
Options exercised	(162,500)		0.385
Options cancelled	(475,000)		0.692
Balance, April 30, 2019	**15,951,250**	**$**	**0.611**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding		Exercise Price
July 25, 2017	July 25, 2019	0.24	3,176,250	3,176,250	$	0.385
June 4, 2018	June 4, 2020	1.10	750,000	1,000,000	$	1.100
September 25, 2018	September 25, 2020	1.42	2,695,000	5,275,000	$	0.890
March 8, 2019	March 8, 2021	1.85	670,000	6,500,000	$	0.420
			7,291,250	15,951,250	$	0.611

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% nine 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% nine 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.

13. SHARE-BASED COMPENSATION (continued)

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% nine 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.

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% nine 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

During the nine months ended April 30, 2019, 475,000 stock options were cancelled of which 275,000 were at $0.89 and 200,000 were at $0.42. Only 77,500 of the options had vested.

14. REVENUE

The total revenue earned for the nine months ended April 30, 2019 includes sales revenue of $1,107,507 (April 30, 2018 - $618,699) and consulting fees of $Nil (April 30, 2018 - $142,857).

(Expressed in Canadian Dollars)

15. GENERAL AND ADMINISTRATIVE EXPENSES

Following is a breakdown of general and administrative expenses:

	For the three months ended April 30 2019	April 30 2018	For the nine months ended April 30 2019	April 30 2018
Automobile expenses	**$ 1,583**	$ 3,688	**$ 4,151**	$ 8,014
Bank charges and interest	**27,234**	60,936	**70,636**	106,793
Consulting fees	**4,320**	58,493	**79,649**	75,104
Director fees	**6,908**	8,646	**21,054**	29,368
Insurance	**7,038**	8,476	**23,625**	22,159
Investor relations	**19,303**	43,976	**48,733**	89,362
Legal and accounting	**91,096**	119,088	**355,650**	321,612
Office and sundry	**31,732**	17,039	**91,205**	42,761
Payroll	**84,276**	68,481	**247,987**	175,442
Property tax	**9,802**	(8)	**27,923**	3,072
Rent	**1,108**	25,932	**18,908**	77,944
Repairs and maintenance	**(9,170)**	(56,954)	**4,372**	9,437
Strata fees	**6,408**	4,230	**13,791**	11,320
Telephone	**5,161**	6,595	**13,522**	16,521
Transfer agent and filing fees	**23,462**	4,401	**54,605**	77,595
Travel	**40,906**	50,692	**111,270**	108,321
Utiliities	**9,123**	5,398	**13,614**	10,545
	$ 360,290	$ 429,109	**$ 1,200,695**	$ 1,185,370

16. RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the nine months ended April 30, 2019 and 2018:

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	April 30, 2019 Total
Ashish Dave	$ 5,000	$ -	$ -	$ 242,416	$ 247,416
Chief Executive Officer	5,000	52,798	45,000	242,416	345,214
Chief Financial Officer	5,000	76,198	45,000	242,416	368,614
Close family member	-	-	40,070	125,011	165,081
George Smitherman	5,000	-	-	242,416	247,416
	$ 20,000	**$ 128,997**	**$ 130,070**	**$ 1,094,675**	**$ 1,373,742**

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS (continued)

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	April 30, 2018 Total
Ashish Dave	$ 5,000	$ -	$ -	$ 97,390	$ 102,390
Chief Executive Officer	5,000	21,233	91,800	97,390	215,423
Chief Financial Officer	5,000	44,633	91,800	97,390	238,823
Close family member	-	-	36,980	48,695	85,675
George Smitherman	5,000	-	-	97,390	102,390
	$ 20,000	$ 65,866	$ 220,580	$ 438,255	$ 744,701

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 12months with an exercise price of $0.89 with a total fair value of $241,202.

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 12months with an exercise price of $0.89 with a total fair value of $241,202.

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 12months with an exercise price of $0.89 with a total fair value of $241,202. At April 30, 2019, the Company owed the CFO $745,027 (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.

(Expressed in Canadian Dollars)

16. 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 January 12, 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 $27. 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 12months with an exercise price of $0.89 with a total fair value of $120,601.

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 12months with an exercise price of $0.89 with a total fair value of $241,202.

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.

17. SEGMENTED INFORMATION

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

		April 30 2019		April 30 2018
Fair value of stock options exercised	**$**	**62,563**	$	365,189
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**46,125**	$	90,797
Interest received	**$**	**696**	$	8

(Expressed in Canadian Dollars)

19. OPERATING LEASE COMMITMENTS

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

Year Ended	Amount
2019	$ **33,800**
2020	**135,200**
2021	**135,200**
2022	**135,200**
	$ **439,400**

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 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:

20. 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 April 30, 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 April 30, 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.

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.

The Company also entered into a line of credit of up to $500,000 with its Chief Executive Officer. The line of credit will not bear interest for the first three calendar months following its withdrawal. Interest will then incur after three months at prime plus 1.0% with the interest payable monthly on the last day of each month until the line of credit is repaid in full.

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 April 30, 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 April 30, 2019, financial instruments were converted at a rate of $1 US dollar to $1.3423 Canadian; 10.7039 LSL to $1 Canadian; $1.5055 Euro to $1 Canadian; and $0.9459 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.

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

On May 29, 2019, the Company entered into a line of credit of up to $500,000 with its Chief Executive Officer. The line of credit will not bear interest for the first three calendar months following its withdrawal. On the last day of the third month following its withdrawal, interest will incur at prime plus 1.0% with interest payable monthly on the last day of each month until the line of credit is repaid in full.

Subsequent to April 30, 2019, 300,000 stock options were cancelled at $0.42. None were vested.