



**THC BIOMED INTL LTD.**

**Condensed Interim Consolidated Financial Statements  
For the Three Months Ended October 31, 2019 and 2018**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

---

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

---

<b>For the Three Months Ended October 31, 2019 and 2018</b>	<b>Page</b>
Notice to Readers	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Financial Position	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Condensed interim consolidated financial statements	8 – 25

### **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 three months ended October 31, 2019 and 2018 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 November 25, 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 Comprehensive Income  
(Expressed in Canadian Dollars)**

	<b>For the three months ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>October 31</b>	<b>October 31</b>
	<b>2019</b>	<b>2018</b>
Revenue (note 15)	\$ 1,044,510	\$ 279,140
Inventory expensed to cost of sales	(749,030)	(302,503)
Gross profit (loss) before fair value adjustments	295,480	(23,363)
Realized fair value changes in biological assets included in inventory sold	(125,678)	(68,657)
Unrealized gain on changes in fair value of biological assets	1,490,082	2,579,970
Net change in fair value (note 5)	1,364,404	2,511,313
Gross margin	1,659,884	2,487,950
Expenses		
General and administration (notes 16 and 19))	351,921	339,442
Depreciation and amortization (note 7)	238,666	103,290
Sales and marketing	5,084	7,934
Share-based compensation (notes 14 and 19)	373,209	926,008
	968,880	1,376,674
Other income (expense) items		
Foreign exchange loss	(2,181)	(3,294)
Loss on sale of asset	-	(1,154)
Interest income	27	8
Other	75	5
	(2,079)	(4,435)
<b>Net and comprehensive income for the period</b>	<b>\$ 688,925</b>	<b>\$ 1,106,841</b>
<b>Basic and diluted income per share</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
<b>Weighted average number of shares outstanding</b>	<b>152,867,404</b>	<b>119,396,795</b>

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

<b>As at</b>	<b>(Unaudited) October 31 2019</b>	<b>(Audited) July 31 2019</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 180,856	\$ 991,155
Amounts receivable (note 4)	759,589	365,148
Goods and services tax receivable	-	99,159
Biological assets (note 5)	3,332,646	2,454,455
Inventory (note 6)	1,792,099	1,029,726
Prepaid expenses and deposits	236,726	278,353
	<b>6,301,916</b>	5,217,996
<b>Non-current</b>		
Property and equipment (note 7)	13,740,065	12,840,341
	<b>13,740,065</b>	12,840,341
	<b>\$ 20,041,981</b>	\$ 18,058,337
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,221,357	\$ 1,060,236
Subscription received in advance	-	642,679
Commercial operating loan (note 8)	600,002	463,137
Line of credit (note 9)	440,000	350,000
Current portion of mortgages payable (note 10)	253,761	57,529
Current portion of other long term liabilities (note 11)	113,342	-
Convertible debentures payable (note 12)	904,536	-
Advances from related parties (note 19)	655,605	717,143
	<b>4,188,603</b>	3,290,724
<b>Non-current</b>		
Mortgages payable (note 19)	1,103,253	1,313,007
Other long term liabilities (note 11)	233,385	-
	<b>1,336,638</b>	1,313,007
	<b>5,525,241</b>	4,603,731
<b>Shareholders' Equity</b>		
Share capital (note 13)	30,194,842	30,194,842
Reserves	12,033,608	11,660,399
Accumulated deficit	(27,711,710)	(28,400,635)
	<b>14,516,740</b>	13,454,606
	<b>\$ 20,041,981</b>	\$ 18,058,337

**THC BIOMED INTL LTD.**

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

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Share-Based Payment Reserve</b>	<b>Agent Warrants Reserve</b>	<b>Accumulated Deficit</b>	<b>(Unaudited) Total Equity</b>
Balance, July 31, 2019	152,867,404	\$ 30,194,842	\$ 3,698,945	\$ 7,961,454	\$(28,400,635)	\$ 13,454,606
Convertible debenture issued	-	-	-	-	-	-
Share -based compensation	-	-	373,209	-	-	373,209
Income for the period	-	-	-	-	688,925	688,925
<b>Balance, October 31, 2019</b>	<b>152,867,404</b>	<b>\$ 30,194,842</b>	<b>\$ 4,072,154</b>	<b>\$ 7,961,454</b>	<b>\$(27,711,710)</b>	<b>\$ 14,516,740</b>
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	2,772,658	2,000,000	-	-	-	2,000,000
Share issue costs	-	(8,087)	-	-	-	(8,087)
Stock options exercised	162,500	62,563	-	-	-	62,563
Fair value of stock options exercised	-	38,904	(38,904)	-	-	-
Share-based compensation	-	-	926,008	-	-	926,008
Income for the period	-	-	-	-	1,106,841	1,106,841
Balance, October 31, 2018	121,226,348	\$ 22,213,406	\$ 1,919,251	\$ 7,961,454	\$(15,792,332)	\$ 16,301,779

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)**

---

	<b>For the three months ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>October 31</b>	<b>October 31</b>
	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net income for the period	\$ 688,925	\$ 1,106,841
Items not affecting cash		
Depreciation and amortization	238,666	103,290
Fair value changes in biological assets included in inventory sold	125,678	68,657
Loss on sale of asset	-	1,154
Share-based compensation	373,209	926,008
Unrealized gain on changes of fair value of biological assets	(1,490,082)	(2,579,970)
	(63,604)	(374,020)
Net change in non-cash working capital	(395,746)	(456,254)
	(459,350)	(830,274)
<b>Financing activities</b>		
Advances repaid to related parties	(61,538)	(96,047)
Proceeds received from commercial operating loan	136,865	-
Proceeds received from line of credit	90,000	-
Issuance of shares for cash, net of share issuance costs	-	2,054,476
Convertible debenture issued	261,857	-
Mortgage proceeds repaid	(13,522)	(9,017)
	413,662	1,949,412
<b>Investing activities</b>		
Acquisition of property and equipment	(764,611)	(1,315,568)
<b>Net decrease in cash</b>	<b>(810,299)</b>	<b>(196,430)</b>
<b>Cash, beginning of period</b>	<b>991,155</b>	<b>2,007,333</b>
<b>Cash, end of period</b>	<b>\$ 180,856</b>	<b>\$ 1,810,903</b>
<b>Supplemental cash flow information (note 18)</b>		

---

# THC BIOMED INTL LTD.

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

---

For the Three Months Ended October 31, 2019 and 2018

---

### 1. DESCRIPTION OF THE BUSINESS AND GOING CONCERN

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 four wholly owned subsidiaries: THC BioMed Ltd., Clone Shipper Ltd., THC2GO Dispensaries Ltd. ("THC2GO"), 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* which regulates the production, distribution, and possession of cannabis for both medical and adult recreational access 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 20b.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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, 2019.



---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**2. BASIS OF PREPARATION** (continued)**a) Statement of compliance** (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, 2019, and should be read in conjunction with those statements.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on November 25, 2019.

**b) Basis of measurement**

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

**c) Presentation and functional currency**

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

**d) Foreign currency transactions**

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange differences are recognized in profit (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**e) Basis of consolidation**

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

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**3. ADOPTION OF NEW STANDARD – IFRS 16, LEASES**

In January 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”) and brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity’s incremental borrowing rate if the implicit rate cannot be readily determined. Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value, and not recognize lease assets and lease liabilities. The expense associated with these leases can be recognized on a straight-line basis over the lease term or on another systematic basis.

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.

On August 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach; therefore, the comparative information has not been restated and continues to be reported under IAS 17, *Leases*. Furthermore, given the short term nature of the leases during the year ended July 31, 2019, under IFRS 16, lessees may elect not to recognize assets and liabilities with a lease term of twelve months or less; accordingly, there is no adjustment to opening equity at the date of initial application.

On transition to IFRS 16, at August 1, 2019, the Company recognized \$373,779 of right-of-use assets and \$346,727 of lease liabilities with a nil impact on the deficit. The transition to IFRS 16 did not have a material impact on the Company’s statement of comprehensive income or liquidity.

When measuring the lease liabilities, the Company used the implicit interest rate stated in the leases. The weighted-average rate applied was 7.4%.

The right-of-use assets are recognized in property and equipment (see note 8) and lease liabilities are recognized in other current liabilities and other long-term liabilities (see note 6).

**4. AMOUNTS RECEIVABLE**

	<b>October 31</b>	July 31
	<b>2019</b>	2019
Other	\$ 3,000	\$ 3,000
Trade Receivables	<b>756,589</b>	362,148
	<b>\$ 759,589</b>	\$ 365,148

## THC BIOMED INTL LTD.

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

For the Three Months Ended October 31, 2019 and 2018

#### 5. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants:

	October 31 2019	July 31 2019
Carrying amount, beginning of period	\$ 2,454,455	\$ 855,954
Capitalized costs	663,882	1,844,832
Sales of biological assets	(9,778)	(223,942)
Transferred to inventory upon harvest	(1,140,317)	(1,537,655)
Net unrealized gain on changes in fair value of biological assets	1,364,404	1,515,266
Carrying amount, end of period	\$ 3,332,646	\$ 2,454,455

Biological assets are presented at their fair value less costs to sell up to 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 1 year. Clones for sale have approximately 2 weeks before they outgrow the Clone Shipper container.

The significant unobservable inputs and their range of values are as follows:

Unobservable input	Amount	Sensitivity
Yield per plant – expected number of grams of finished cannabis inventory which is expected to be obtained from each harvested flowering plant. Based on historical results.	70 grams per plant	A slight change in the yield per plant would result in a significant change in fair value.
Yield per plant – expected number of clones which is expected to be obtained from mother plant. Based on historical results.	90 clones per plant	A slight change in the yield per plant would result in a significant change in fair value.

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**5. BIOLOGICAL ASSETS (continued)**

Unobservable input	Amount	Sensitivity
Selling price of dried cannabis and clones for sale	\$4.20 (average selling price of dried cannabis) \$20 (selling price of clones for sale)	A slight change in the estimated selling prices would result in a significant change in fair value.

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

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	\$ 2,666,117	\$ 2,999,381	\$ 3,332,646	\$ 3,665,911	\$ 3,999,175

**6. INVENTORY**

Inventory is comprised of the following items:

	October 31 2019	July 31 2019
Finished goods	\$ 429,916	\$ 278,191
Supplies and consumables	152,387	128,233
Unpackaged cannabis	1,209,796	623,302
Carrying amount - inventory	\$ 1,792,099	\$ 1,029,726

Inventory expensed during the three months ended October 31, 2019 was \$480,294 (October 31, 2018 - \$87,294).

The fair value changes in biological assets included as inventory and sold during the three months ended October 31, 2019 was \$125,678 (October 31, 2018 - \$68,502).

## THC BIOMED INTL LTD.

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

For the Three Months Ended October 31, 2019 and 2018

#### 7. PROPERTY AND EQUIPMENT

	July 31 2018	Additions (Dispositions)	July 31 2019	Additions (Dispositions)	October 31 2019
<b>Cost</b>					
Automobile equipment	\$ 16,371	\$ 17,229	\$ 33,600	\$ -	\$ 33,600
Buildings	2,674,743	3,482,075	6,156,818	334,847	6,491,665
Computer equipment	65,945	10,348	76,293	2,449	78,742
Equipment	547,882	1,117,610	1,665,492	170,560	1,836,052
Furniture and fixtures	37,888	60,149	98,037	791	98,828
Land	2,353,739	1,756,881	4,110,620	255,964	4,366,584
Leasehold improvements	879,304	688,593	1,567,897	-	1,567,897
Right of use property	-	-	-	373,779	373,779
Software	75,174	5,828	81,002	-	81,002
	\$ 6,651,046	\$ 7,138,713	\$ 13,789,759	\$ 1,138,390	\$ 14,928,149
<b>Accumulated Depreciation</b>					
Automobile equipment	\$ 4,175	\$ 865	\$ 5,040	\$ 1,260	\$ 6,300
Buildings	86,642	173,166	259,808	60,643	320,451
Computer equipment	48,795	11,494	60,289	2,369	62,658
Equipment	99,953	201,347	301,300	72,474	373,774
Furniture and fixtures	13,209	10,950	24,159	3,714	27,873
Leasehold improvements	36,620	184,114	220,734	67,358	288,092
Right of use property	-	-	-	30,120	30,120
Software	59,507	18,581	78,088	728	78,816
	\$ 348,901	\$ 600,517	\$ 949,418	\$ 238,666	\$ 1,188,084
<b>Carrying Amounts</b>	\$ 6,302,145		\$ 12,840,341		\$ 13,740,065

#### 8. COMMERCIAL OPERATING LOAN

On February 1, 2019, the Company secured a \$500,000 commercial operating loan 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 was subsequently increased to \$900,000. The loan is payable upon demand and subject to an annual review. At October 31, 2019, the balance payable is \$600,002 (July 31, 2019 - \$463,137).

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**9. LINE OF CREDIT**

On May 28, 2019, the Company entered into a line of credit with its President, John Miller, for up to \$500,000. Each separate draw down of funds from the Line of Credit will not bear interest for the first three calendar months following its withdrawal. In the event that a draw down amount is not repaid on the business day following the last day of the third month following the withdrawal, then interest will incur on that draw down at a rate of Prime plus 1%. Interest will be calculated and payable monthly on the last business day of each month until the Line of Credit is repaid in full. At October 31, 2019, \$440,000 (July 31, 2019 - \$350,000) was drawn on Line of Credit.

**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 October 31, 2019, the balance payable is \$133,060 (July 31, 2019 - \$137,912) with accrued interest of \$365 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 October 31, 2019, the balance payable is \$205,772 (July 31, 2019 - \$208,505) with accrued interest of \$1,748 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a 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 October 31, 2019, the balance payable is \$282,603 (July 31, 2019 - \$285,000) with accrued interest of \$2,400 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 June 1, 2019 with the mortgage due on June 1, 2021. At October 31, 2019, the balance payable is \$167,797 (July 31, 2019 - \$169,119) with accrued interest of \$644 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 4.9% per annum with monthly payments of \$1,120 due on the 1st day of each month starting September 1, 2019 with the mortgage due on August 1, 2021. At October 31, 2019, the balance payable is \$169,130 (July 31, 2019 - \$170,000) with accrued interest of \$676 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a property recently acquired in the principal amount of \$400,000 with interest at 10% per annum with monthly payments of \$3,807 due on the 1st day of each month starting August 1, 2019 with the mortgage due on July 1, 2024. At October 31, 2019, the balance payable is \$398,652 (July 31, 2019 - \$400,000) with accrued interest of \$3,386 included in accounts payable and accrued liabilities.

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**11. OTHER LIABILITIES**

Pursuant to IFRS 16, as of August 1, 2019, lease liabilities have been recognized for the right-of-use assets underlying the four property leases. At October 31, 2019, the lease liabilities totaled \$346,727. Three of the leases expire on August 31, 202 and one expires on September 30, 2022.

**12. CONVERTIBLE DEBENTURES PAYABLE**

On August 16, 2019 the Company closed a non-brokered private placement of a convertible debenture for gross proceeds of \$642,679. The term of the debenture is twelve months and bears interest at 8% per annum calculated on an annual basis and payable quarterly in arrears. The debenture is convertible into common shares at a price of \$0.25 per share at any time at the election of the holder. Accrued interest of \$10,705 is included in accounts payable and accrued liabilities.

On October 23, 2019 the Company closed a non-brokered private placement of a convertible debenture for gross proceeds of \$261,857. The term of the debenture is twelve months and bears interest at 10% per annum calculated on an annual basis and payable quarterly in arrears. The debenture is convertible into common shares at a price of \$0.20 per share at any time at the election of the holder. Accrued interest of \$574 is included in accounts payable and accrued liabilities

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

Unlimited number of common shares without par value.

**Issued:**

---

	<b>Issued Number</b>	<b>Amount</b>
Balance, July 31, 2018	118,291,190	\$ 20,120,026
Shares issued for cash	17,283,674	6,090,000
Share issue costs	-	(44,528)
Stock options exercised	162,500	62,563
Fair value of stock options exercised	-	38,904
Shares issued for debt	3,055,554	550,000
Earn out shares issued	14,074,486	3,377,877
<b>Balance, July 31, 2019 and October 31, 2019</b>	<b>152,867,404</b>	<b>\$ 30,194,842</b>

---

---

## THC BIOMED INTL LTD.

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

---

#### For the Three Months Ended October 31, 2019 and 2018

---

#### 13. 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 \$0.88 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 \$1.36 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 applying a 33% discount. The shares are subject to a lockup agreement for 36 months from the date of issuance. The corresponding value of \$3,377,877 was expensed in profit and loss as it represented compensation to those original shareholders.

During the year ended July 31, 2019, the Company closed 11 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 16,228,120 Units at a weighted average price of \$0.36 for total gross proceeds of \$5,900,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of \$0.59 for a period of 36 months from the date of issue. Warrants were valued at \$Nil using the residual value method. The Company paid \$44,528 of share issue costs in connection with these financings.

During the year ended July 31, 2019, the Company issued 1,055,554 Units at \$0.18 per Unit for gross proceeds of \$190,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of \$0.30 for a period of 36 months from the date of issue. Warrants were valued at \$Nil using the residual value method.

During the year ended July 31, 2019, the Company issued 3,055,554 Units at \$0.18 per Unit for settlement of debt of \$550,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of \$0.30 for a period of 36 months from the date of issue. Warrants were valued at \$Nil using the residual value method.

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



---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**13. SHARE CAPITAL** (continued)**b) Escrow shares**

Currently 690 common shares (July 31, 2019 – 690) are held in escrow.

**c) Warrants outstanding**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2018	8,348,753	\$ 1.4073
Warrants issued	20,339,228	0.5332
<b>Balance, July 31, 2019 and October 31, 2019</b>	<b>28,687,981</b>	<b>\$ 0.7875</b>

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

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

<b>Expiry Date</b>	<b>Remaining Life (Years)</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>
August 9, 2020	0.77	120,967	\$ 0.3875
October 2, 2020	0.92	403,226	0.9600
October 5, 2020	0.93	359,196	1.0875
October 12, 2020	0.95	355,115	1.1000
October 20, 2020	0.97	333,333	0.9400
October 23, 2020	0.98	333,333	0.9400
October 31, 2020	1.00	362,318	0.8625
November 8, 2020	1.02	513,698	0.9125
November 14, 2020	1.04	666,666	0.9375
November 23, 2020	1.07	1,488,095	1.0500
January 15, 2021	1.21	314,070	2.4900
January 24, 2021	1.23	631,313	2.4800
February 8, 2021	1.28	1,002,673	2.0800
March 2, 2021	1.34	932,835	1.6800
March 15, 2021	1.47	531,915	1.7630
September 25, 2021	1.90	1,344,086	1.1625
October 2, 2021	1.92	1,428,572	1.0875
December 10, 2021	2.11	1,449,275	0.5750
January 18, 2022	2.22	1,479,289	0.5630
January 30, 2022	2.25	1,552,795	0.5380
February 8, 2022	2.28	1,449,275	0.5750
February 28, 2022	2.33	1,623,377	0.5120
March 14, 2022	2.38	1,623,377	0.5120
March 29, 2019	2.41	1,901,141	0.4380
July 15, 2022	2.71	5,222,219	0.3000
July 22, 2022	2.73	1,265,822	0.2620
		28,687,981	\$ 0.7875

**d) Agent warrants outstanding**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, July 31, 2018 and October 31, 2019</b>	<b>5,385,000</b>	<b>\$ 1.20</b>

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**13. SHARE CAPITAL (continued)****d) Agent warrants outstanding**

<b>Expiry Date</b>	<b>Remaining Life (Years)</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>
March 13, 2022	2.30	5,385,000	\$ 1.20

**14. 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 common shares 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:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2018	4,338,750	\$ 0.550
Options granted	12,250,000	0.633
Options exercised	(162,500)	0.385
Options cancelled	(1,250,000)	0.857
Options expired	(3,176,250)	0.385
<b>Balance, July 31, 2019 and October 31, 2019</b>	<b>12,000,000</b>	<b>\$ 0.654</b>

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**14. SHARE-BASED COMPENSATION (continued)**

<b>Date of Grant</b>	<b>Expiry Date</b>	<b>Remaining Life (Years)</b>	<b>Number of Options Vested</b>	<b>Number of Options Outstanding</b>	<b>Exercise Price</b>
June 4, 2018	June 4, 2020	0.59	600,000	600,000	\$ 1.100
September 25, 2018	September 25, 2020	0.90	5,100,000	5,100,000	\$ 0.890
March 8, 2019	March 8, 2021	1.35	3,205,000	6,300,000	\$ 0.420
			8,905,000	12,000,000	\$ 0.654

During the year ended July 31, 2018, 1,604,000 options were exercised with an average weighted exercise price of \$0.28 for gross proceeds of \$451,100. On exercise, \$268,462 of previously recognized share-based compensation was reallocated from Share-Based Payment Reserve to Share Capital.

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 year ended July 31, 2019, 162,500 options were exercised at \$0.385 for gross proceeds of \$62,563. On exercise, \$38,904 of previously recognized share-based compensation was reallocated from Share-Based Payment Reserve to Share Capital.

During the year ended July 31, 2019, 1,250,000 stock options were cancelled with an average weighted exercise price of \$0.86 and 3,165,260 stock options expired with an exercise price of \$0.385. On cancellation or expiry of the stock options, \$1,197,885 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**15. REVENUE**

The total revenue earned for the three months ended October 31, 2019 includes excise sales taxes of \$218,265 (October 31, 2018 - \$Nil).

**16. GENERAL AND ADMINISTRATION EXPENSES**

Following is a breakdown of general and administration expenses:

	<b>October 31 2019</b>	October 31 2018
Automobile expenses	\$ 769	\$ 1,392
Bank charges and interest	66,393	22,243
Consulting fees	-	9,144
Director fees	6,128	6,062
Equipment lease	-	5,919
Insurance	4,202	6,445
Investor relations	33,657	11,089
Legal and accounting	65,047	136,111
Office and sundry	24,961	24,144
Payroll and benefits	96,629	75,891
Property tax	10,500	8,769
Rent	-	10,000
Repairs and maintenance	-	1,939
Strata fees	3,571	3,824
Telephone	4,705	4,578
Transfer agent and filing fees	10,632	3,814
Travel	24,727	8,078
	<b>\$ 351,921</b>	<b>\$ 339,442</b>

**17. SEGMENTED INFORMATION**

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

**18. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>October 31 2019</b>	October 31 2018
Fair value of stock options exercised	\$ -	\$ 62,563
Income taxes paid	\$ -	-
Interest paid	\$ 41,777	\$ 12,744
Interest received	\$ 27	\$ 8

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**19. RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

	<b>October 31 2019</b>	October 31 2018
Director fees	<b>\$ 6,000</b>	\$ 6,000
Rent	<b>33,800</b>	35,800
Salaries and benefits	<b>30,000</b>	44,043
Share-based compensation	<b>125,528</b>	289,467
	<b>\$ 195,328</b>	\$ 375,310

The Company initially signed a month-to-month lease for premises from two directors. 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. The lease was renewed for another three-year term. A security deposit of \$3,467 was also paid.

The Company signed a month-to-month lease for premises from a director. 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, 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. The lease was renewed for another three-year term. A security deposit of \$2,600 was also paid.

The Company initially signed a month-to-month lease for premises from two directors. 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. The lease was renewed for another three-year term. A security deposit of \$2,600 was also paid.

The Company initially signed a month-to-month lease for premises from two directors. 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. The lease was renewed for another three-year term. A security deposit of \$2,600 was also paid.

At October 31, 2019, the Company owed a director \$655,605 (July 31, 2019 - \$717,143).

---

## THC BIOMED INTL LTD.

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

---

For the Three Months Ended October 31, 2019 and 2018

---

#### 19. RELATED PARTY TRANSACTIONS (continued)

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.

#### 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Under 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 fair value hierarchy requires the use of observable market inputs whenever such inputs exists.

The biological assets are carried at fair value, calculated in accordance with 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.

The carry values of cash, amounts receivable, accounts payable and accrued liabilities, commercial operating loan, line of credit, mortgages payable, convertible debentures payable, and advances from related parties all approximate their fair values due the short term nature of the financial instrument, or the market rates of interest attached thereto.

##### b) Market risk

Market risk is the risk of loss that the fair value of future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. The Company faces market risk from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****b) Market risk (continued)****(i) 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.

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 exposed to cash flow interest rate risk on line of credit if a draw down amount is not repaid within three months. The Company is not exposed to cash flow interest rate risk on the advances from related parties which 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.

**(ii) 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 October 31, 2019, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts and accounts payable, an amount held in trust in Australia, and a Euro denominated account payable.

At October 31, 2019, financial instruments were converted at a rate of \$1 US dollar to \$1.3160 Canadian; \$1.4671 Euro to \$1 Canadian; and \$0.9072 Australian to \$1 Canadian.

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

**(iii) 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 October 31, 2019, all amounts receivable are current.



---

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

---

**For the Three Months Ended October 31, 2019 and 2018**

---

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****b) Market risk (continued)****(iii) Credit risk (continued)**

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

**(iv) 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 October 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.

On February 1, 2019, the Company secured a \$500,000 commercial operating loan which has been increased to \$900,000 for operating funds using the property at St. Paul Street in Kelowna, British Columbia as collateral. The interest rate is Prime 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 President. 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.

**(v) 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.

**(vi) 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.