



THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

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

| For the Nine Months Ended April 30, 2020 and 2019 | Page |
|--|-------------|
| Notice to Readers | 3 |
| Consolidated Statements of Comprehensive Income (Loss) | 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 – 27 |

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, 2020 and 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 25, 2020. 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 (Loss) (Expressed in Canadian Dollars)

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | (Unaudited) April 30 2020 | (Unaudited) April 30 2019 | (Unaudited) April 30 2020 | (Unaudited) April 30 2019 |
| Revenue (note 15) | \$ 896,104 | \$ 354,326 | \$ 3,187,239 | \$ 1,107,507 |
| Inventory expensed to cost of sales | (706,411) | (466,304) | (2,246,587) | (1,070,910) |
| Gross profit (loss) before fair value adjustments | 189,693 | (111,978) | 940,652 | 36,597 |
| Realized fair value changes in biological assets included in inventory sold | (327,419) | (31,437) | (1,772,459) | (136,699) |
| Unrealized gain on changes in fair value of biological assets | 615,701 | 1,357,262 | 3,929,828 | 4,204,770 |
| Net change in fair value (note 5) | 288,282 | 1,325,825 | 2,157,369 | 4,068,071 |
| Gross margin | 477,975 | 1,213,847 | 3,098,021 | 4,104,668 |
| Expenses | | | | |
| Depreciation and amortization (note 7) | 261,687 | 179,647 | 745,206 | 430,968 |
| General and administration (notes 16 and 19) | 422,315 | 360,290 | 1,167,144 | 1,200,695 |
| Sales and marketing | 5,558 | 6,759 | 14,852 | 35,704 |
| Share-based compensation (notes 14 and 19) | 84,717 | 1,116,433 | 686,780 | 3,121,235 |
| | 774,277 | 1,663,129 | 2,613,982 | 4,788,602 |
| Other income (expense) items | | | | |
| Fair value of earn out shares to be issued | - | - | - | (3,377,877) |
| Financing fees | - | (4,458,153) | - | (4,458,153) |
| Foreign exchange income (loss) | 509 | (3,949) | (3,413) | (6,764) |
| Interest income | 10 | 246 | 51 | 696 |
| Gain (loss) on sale of asset | - | 548 | - | (606) |
| Other | 66 | 76 | 722 | 146 |
| | 585 | (4,461,232) | (2,640) | (7,842,558) |
| Net and comprehensive income (loss) for the period | \$ (295,717) | \$ (4,910,514) | \$ 481,399 | \$ (8,526,492) |
| Basic and diluted income (loss) per share | \$ (0.00) | \$ (0.03) | \$ 0.00 | \$ (0.07) |
| Weighted average number of shares outstanding | 158,983,356 | 141,698,869 | 155,314,840 | 127,635,357 |

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

| As at | (Unaudited) April 30 2020 | (Audited) July 31 2019 |
|--|--|---------------------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 881,287 | \$ 991,155 |
| Amounts receivable (note 4) | 243,754 | 365,148 |
| Due from related parties (note 19) | 42,343 | - |
| Goods and services tax receivable | - | 99,159 |
| Biological assets (note 5) | 2,644,338 | 2,454,455 |
| Inventory (note 6) | 3,933,726 | 1,029,726 |
| Prepaid expenses and deposits | 217,779 | 278,353 |
| | 7,963,227 | 5,217,996 |
| Non-current | | |
| Property and equipment (note 7) | 13,845,860 | 12,840,341 |
| | \$ 21,809,087 | \$ 18,058,337 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,911,061 | \$ 1,060,236 |
| Subscription received in advance | - | 642,679 |
| Commercial operating loan (note 8) | 466,604 | 463,137 |
| Line of credit (note 9) | - | 350,000 |
| Current portion of mortgages payable (note 10) | 289,740 | 57,529 |
| Current portion of other long term liabilities (note 11) | 144,781 | - |
| Convertible debentures payable (note 12) | 854,536 | - |
| Advances from related parties (note 19) | - | 717,143 |
| | 3,666,722 | 3,290,724 |
| Non-current | | |
| Mortgages payable (note 10) | 2,431,636 | 1,313,007 |
| Other long term liabilities (note 11) | 250,040 | - |
| | 2,681,676 | 1,313,007 |
| | 6,348,398 | 4,603,731 |
| Shareholders' Equity | | |
| Share capital (note 13) | 31,032,746 | 30,194,842 |
| Reserves | 11,381,177 | 11,660,399 |
| Accumulated deficit | (26,953,234) | (28,400,635) |
| | 15,460,689 | 13,454,606 |
| | \$ 21,809,087 | \$ 18,058,337 |
| Nature of operations (note 1) | | |
| Subsequent events (note 21) | | |

THC BIOMED INTL LTD.

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

| | Number of Shares | Share Capital | Share-Based Payment Reserve | Agent Warrants Reserve | Accumulated Deficit | (Unaudited) Total Equity |
|---|-----------------------------|--------------------------|--|---------------------------------------|--------------------------------|---|
| Balance, July 31, 2019 | 152,867,404 | \$ 30,194,842 | \$ 3,698,945 | \$ 7,961,454 | \$(28,400,635) | \$ 13,454,606 |
| Shares issued for cash | 1,342,319 | 201,348 | - | - | - | 201,348 |
| Shares issued for debt | 5,333,333 | 800,000 | - | - | - | 800,000 |
| Shares cancelled under Normal Course Issuer Bid | (1,217,000) | (163,444) | - | - | - | (163,444) |
| Reverse fair value of stock options cancelled | - | - | (966,002) | - | 966,002 | - |
| Share-based compensation | - | - | 686,780 | - | - | 686,780 |
| Income for the period | - | - | - | - | 481,399 | 481,399 |
| Balance, April 30, 2020 | 158,326,056 | \$ 31,032,746 | \$ 3,419,723 | \$ 7,961,454 | \$(26,953,234) | \$ 15,460,689 |
| 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 13) | 14,074,486 | 3,377,877 | - | - | - | 3,377,877 |
| Share-based compensation | - | - | 3,121,235 | - | - | 3,121,235 |
| 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) | (Unaudited) | (Unaudited) | (Unaudited) |
| | April 30 | April 30 | April 30 | April 30 |
| | 2020 | 2019 | 2020 | 2019 |
| Cash provided by (used for) | | | | |
| Operating activities | | | | |
| Net income (loss) for the period | \$ (295,717) | \$ (4,910,514) | \$ 481,399 | \$ (8,526,492) |
| Items not affecting cash | | | | |
| Depreciation and amortization | 261,687 | 176,132 | 745,206 | 427,453 |
| Earn out shares issued | - | 3,377,877 | - | 3,377,877 |
| Financing fees | - | 4,458,153 | - | 4,458,153 |
| Gain (loss) on sale of asset | - | (548) | - | 606 |
| Realized fair value changes in biological assets included in inventory sold | 327,419 | (328) | 1,772,459 | 104,934 |
| Share-based compensation | 84,717 | 1,116,433 | 686,780 | 3,121,235 |
| Unrealized gain on changes of fair value of biological assets | (615,701) | (1,325,497) | (3,929,828) | (4,173,005) |
| | (237,595) | 2,891,708 | (243,984) | (1,209,239) |
| Net change in non-cash working capital | 354,352 | (2,741,054) | 195,438 | 282,487 |
| | 116,757 | 150,654 | (48,546) | (926,752) |
| Financing activities | | | | |
| Advances from (repaid) to related parties | (42,343) | (8,460) | 40,514 | (139,578) |
| Convertible debenture issued | - | - | 261,857 | - |
| Convertible debenture principal payment | (50,000) | - | (50,000) | - |
| Issuance of shares for cash, net of share issuance costs | 25,000 | 1,983,888 | 201,348 | 5,526,284 |
| Shares cancelled under Normal Course Issuer Bid | (163,444) | - | (163,444) | - |
| Net mortgage proceeds received | 980,358 | 160,160 | 1,350,840 | 141,895 |
| Proceeds received from (repaid) commercial operating loan | (32,609) | - | 3,467 | - |
| Proceeds received from (repaid) line of credit | (60,136) | 12,383 | (350,000) | 12,383 |
| Promissory note repaid | - | - | - | (99,004) |
| | 656,826 | 2,147,971 | 1,294,582 | 5,441,980 |
| Investing activities | | | | |
| Acquisition of property and equipment | (277,591) | (2,849,688) | (1,355,904) | (6,223,956) |
| Net increase (decrease) in cash | 495,992 | (551,063) | (109,868) | (1,708,728) |
| Cash, beginning of period | 385,295 | 849,668 | 991,155 | 2,007,333 |
| Cash, end of period | \$ 881,287 | \$ 298,605 | \$ 881,287 | \$ 298,605 |
| Supplemental cash flow information (note 18) | | | | |

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

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 five wholly owned subsidiaries: THC BioMed Ltd., THC BioMedical 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. THC BioMedical Ltd. was recently incorporated to acquire a separate license from Health 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.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future; therefore, the Company cannot reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

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

For the Nine Months Ended April 30, 2020 and 2019

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.

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 June 25, 2020.

a) 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.

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

2. BASIS OF PREPARATION (continued)

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.

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 (loss) or liquidity.

When measuring the lease liabilities, the Company used the implicit interest rate stated in the leases. The weighted-average rate applied was 7.79%.

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).

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

For the Nine Months Ended April 30, 2020 and 2019

4. AMOUNTS RECEIVABLE

| | April 30 2020 | July 31 2019 |
|-------------------|--------------------------|-----------------|
| Other | \$ 3,000 | \$ 3,000 |
| Trade Receivables | 240,754 | 362,148 |
| | \$ 243,754 | \$ 365,148 |

5. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants:

| | April 30 2020 | July 31 2019 |
|---|--------------------------|-----------------|
| Carrying amount, beginning of period | \$ 2,454,455 | \$ 855,954 |
| Capitalized costs | 2,045,211 | 1,844,832 |
| Sales of biological assets | (10,619) | (223,942) |
| Transferred to inventory upon harvest | (4,002,078) | (1,537,655) |
| Net unrealized gain on changes in fair value of biological assets | 2,157,369 | 1,515,266 |
| Carrying amount, end of period | \$ 2,644,338 | \$ 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:

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

5. BIOLOGICAL ASSETS (continued)

| 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. |
| 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 April 30, 2020 is as follows:

| | 20% Decrease | 10% Decrease | FV | 10% Increase | 20% Increase |
|---------------------------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Fair value of biological assets | \$ 2,115,470 | \$ 2,379,904 | \$ 2,644,338 | \$ 2,908,772 | \$ 3,173,206 |

6. INVENTORY

Inventory is comprised of the following items:

| | April 30 2020 | July 31 2019 |
|-----------------------------|------------------|-----------------|
| Finished goods | \$ 788,503 | \$ 278,191 |
| Supplies and consumables | 213,557 | 128,233 |
| Unpackaged cannabis | 2,931,666 | 623,302 |
| Carrying amount - inventory | \$ 3,933,726 | \$ 1,029,726 |

Inventory expensed during the nine months ended April 30, 2020 was \$2,246,587 (April 30, 2019 - \$1,070,910).

The fair value changes in biological assets included as inventory and sold during the nine months ended April 30, 2020 was \$1,772,459 (April 30, 2019 - \$136,699).

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

7. PROPERTY AND EQUIPMENT

| | July 31 2018 | Additions (Dispositions) | July 31 2019 | Additions (Dispositions) | April 30 2020 |
|--|-----------------|-----------------------------|-----------------|-----------------------------|------------------|
| Cost | | | | | |
| Automobile equipment | \$ 16,371 | \$ 17,229 | \$ 33,600 | \$ - | \$ 33,600 |
| Buildings | 2,674,743 | 3,482,075 | 6,156,818 | 579,607 | 6,736,425 |
| Computer equipment | 65,945 | 10,348 | 76,293 | 3,102 | 79,395 |
| Equipment | 547,882 | 1,117,610 | 1,665,492 | 428,553 | 2,094,045 |
| 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 | - | - | - | 482,708 | 482,708 |
| Software | 75,174 | 5,828 | 81,002 | - | 81,002 |
| | \$ 6,651,046 | \$ 7,138,713 | \$ 13,789,759 | \$ 1,750,725 | \$ 15,540,484 |
| Accumulated Depreciation/Amortization | | | | | |
| Automobile equipment | \$ 4,175 | \$ 865 | \$ 5,040 | \$ 3,780 | \$ 8,820 |
| Buildings | 86,642 | 173,166 | 259,808 | 185,604 | 445,412 |
| Computer equipment | 48,795 | 11,494 | 60,289 | 7,242 | 67,531 |
| Equipment | 99,953 | 201,347 | 301,300 | 236,769 | 538,069 |
| Furniture and fixtures | 13,209 | 10,950 | 24,159 | 11,142 | 35,301 |
| Leasehold improvements | 36,620 | 184,114 | 220,734 | 202,074 | 422,808 |
| Right of use property | - | - | - | 96,409 | 96,409 |
| Software | 59,507 | 18,581 | 78,088 | 2,186 | 80,274 |
| | \$ 348,901 | \$ 600,517 | \$ 949,418 | \$ 745,206 | \$ 1,694,624 |
| Carrying Amounts | \$ 6,302,145 | | \$ 12,840,341 | | \$ 13,845,860 |

8. COMMERCIAL OPERATING LOAN

On February 1, 2019, the Company secured a \$500,000 commercial operating loan for business operating funds using the property on 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 April 30, 2020, the balance payable is \$466,604 (July 31, 2019 - \$463,137).

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

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 April 30, 2020, \$Nil (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 April 30, 2020, the balance payable is \$122,948 (July 31, 2019 - \$137,912) with accrued interest of \$337 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, 2020, the balance payable is \$200,037 (July 31, 2019 - \$208,505) with accrued interest of \$1,589 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 April 30, 2020, the balance payable is \$277,534 (July 31, 2019 - \$285,000) with accrued interest of \$2,275 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 April 30, 2020, the balance payable is \$165,085 (July 31, 2019 - \$169,119) with accrued interest of \$630 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 April 30, 2020, the balance payable is \$166,494 (July 31, 2019 - \$170,000) with accrued interest of \$662 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 April 30, 2020, the balance payable is \$395,740 (July 31, 2019 - \$400,000) with accrued interest of \$3,253 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 Nine Months Ended April 30, 2020 and 2019

10. MORTGAGES PAYABLE (continued)

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 \$2,760 due on the 1st day of each month starting November 1, 2019 with the mortgage due on November 1, 2024. At April 30, 2020, the balance payable is \$395,312 (July 31, 2019 - \$Nil) with accrued interest of \$1,746 included in accounts payable and accrued liabilities.

On February 28, 2020, the Company secured a \$1,000,000 mortgage for business operating funds using the facility on Acland Street, in Kelowna, British Columbia as collateral. The interest rate is the Credit Union's Prime Lending Rate plus 2% with monthly payments of \$7,140 due on the 1st day of each month starting April 1, 2020. The loan is payable upon demand and subject to an annual review. At April 30, 2020, the balance payable is \$998,225 (July 31, 2019 - \$Nil).

11. OTHER LIABILITIES

Pursuant to IFRS 16, as of August 1, 2019, lease liabilities have been recognized for the right-of-use assets. At April 30, 2020, the lease liabilities totaled \$394,821 (July 31, 2019 - \$Nil). Three of the leases expire on August 31, 2022, one expires on September 30, 2022, and one expires on February 28, 2023.

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. An early principal payment in the amount of \$50,000 was made on the debenture leaving a balance at April 30, 2020 of \$592,679 (July 31, 2019 - \$Nil). Accrued interest of \$10,255 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 \$502 is included in accounts payable and accrued liabilities

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

Unlimited number of common shares without par value.

Issued:

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

For the Nine Months Ended April 30, 2020 and 2019

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

| | Issued Number | Amount |
|---|--------------------------|----------------------|
| 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 |
| <hr/> | | |
| Balance, July 31, 2019 | 152,867,404 | 30,194,842 |
| Shares issued for cash | 1,342,319 | 201,348 |
| Shares issued for debt | 5,333,333 | 800,000 |
| Shares cancelled under Normal Course Issuer Bid | (1,217,000) | (163,444) |
| <hr/> | | |
| Balance, April 30, 2020 | 158,326,056 | \$ 31,032,746 |

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.

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

For the Nine Months Ended April 30, 2020 and 2019

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

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.

On January 13, 2020, the Company completed a non-brokered private placement for 6,675,652 Units at \$0.15 per Unit for gross proceeds of \$201,348 and a repayment a bona fide debt of \$800,000 to John Miller, the President and CEO. Each Unit consists of one common share and one common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share of the Company for a period of 24 months from closing at a price of \$0.18 per share for the first three months, at \$0.25 during the following three months, at \$0.50 for the three months following that, and at \$0.80 during the final fifteen months. Warrants were valued at \$Nil using the residual value method. No finder's fees were paid.

On February 6, 2020, the Company announced its intention to commence a normal course issuer bid to purchase up to an aggregate of 7,977,152 common shares representing 5% of the issued and outstanding common shares as at that date. At April 30, 2020, the Company has purchased a total of 1,217,000 common shares pursuant to the normal course issuer bid for \$163,444 or an average price of \$0.13 per share.

b) Escrow shares

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

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

For the Nine Months Ended April 30, 2020 and 2019

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

| | Number of Warrants | Weighted Average Exercise Price |
|--------------------------------|-------------------------------|--|
| Balance, July 31, 2018 | 8,348,753 | \$ 1.4073 |
| Warrants issued | 20,339,228 | 0.5332 |
| Balance, July 31, 2019 | 28,687,981 | 0.7875 |
| Warrants issued | 6,675,652 | 0.2500 |
| Balance, April 30, 2020 | 35,363,633 | \$ 0.6861 |

| Expiry Date | Remaining Life (Years) | Number of Warrants | Exercise Price |
|--------------------|-----------------------------------|-------------------------------|-----------------------|
| August 9, 2020 | 0.27 | 120,967 | \$ 0.3875 |
| October 2, 2020 | 0.42 | 403,226 | 0.9600 |
| October 5, 2020 | 0.43 | 359,196 | 1.0875 |
| October 12, 2020 | 0.45 | 355,115 | 1.1000 |
| October 20, 2020 | 0.27 | 333,333 | 0.9400 |
| October 23, 2020 | 0.48 | 333,333 | 0.9400 |
| October 31, 2020 | 0.50 | 362,318 | 0.8625 |
| November 8, 2020 | 0.52 | 513,698 | 0.9125 |
| November 14, 2020 | 0.54 | 666,666 | 0.9375 |
| November 23, 2020 | 0.57 | 1,488,095 | 1.0500 |
| January 15, 2021 | 0.71 | 314,070 | 2.4900 |
| January 24, 2021 | 0.73 | 631,313 | 2.4800 |
| February 8, 2021 | 0.78 | 1,002,673 | 2.0800 |
| March 2, 2021 | 0.84 | 932,835 | 1.6800 |
| March 15, 2021 | 0.97 | 531,915 | 1.7630 |
| September 25, 2021 | 1.40 | 1,344,086 | 1.1625 |
| October 2, 2021 | 1.42 | 1,428,572 | 1.0875 |
| December 10, 2021 | 1.61 | 1,449,275 | 0.5750 |
| January 13, 2022 | 1.70 | 6,675,652 | 0.1800 |
| January 18, 2022 | 1.72 | 1,479,289 | 0.5630 |
| January 30, 2022 | 1.75 | 1,552,795 | 0.5380 |
| February 8, 2022 | 1.78 | 1,449,275 | 0.5750 |
| February 28, 2022 | 1.83 | 1,623,377 | 0.5120 |
| March 14, 2022 | 1.88 | 1,623,377 | 0.5120 |
| March 29, 2022 | 1.91 | 1,901,141 | 0.4380 |
| July 15, 2022 | 2.21 | 5,222,219 | 0.3000 |
| July 22, 2022 | 2.23 | 1,265,822 | 0.2620 |
| | | 35,363,633 | \$ 0.6861 |

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

For the Nine Months Ended April 30, 2020 and 2019

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

| | Number of Warrants | Weighted Average Exercise Price |
|--|-------------------------------|--|
| Balance, July 31, 2018 and 2019, and April 30, 2020 | 5,385,000 | \$ 1.20 |

| Expiry Date | Remaining Life (Years) | Number of Warrants | Exercise Price |
|--------------------|-----------------------------------|-------------------------------|-----------------------|
| March 13, 2022 | 1.80 | 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:

| | Number of Options | Weighted Average Exercise Price |
|--------------------------------|------------------------------|--|
| 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 |
| Balance, July 31, 2019 | 12,000,000 | 0.654 |
| Options granted | 2,750,000 | 0.150 |
| Options cancelled | (3,200,000) | 0.573 |
| Balance, April 30, 2020 | 11,550,000 | \$ 0.556 |

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

For the Nine Months Ended April 30, 2020 and 2019

14. SHARE-BASED COMPENSATION (continued)

| Date of Grant | Expiry Date | Remaining Life (Years) | Number of Options Vested | Number of Options Outstanding | Exercise Price |
|----------------------|--------------------|-----------------------------------|---|--|-----------------------|
| June 4, 2018 | June 4, 2020 | 0.09 | 400,000 | 400,000 | \$ 1.100 |
| September 25, 2018 | September 25, 2020 | 0.40 | 4,000,000 | 4,000,000 | 0.890 |
| March 8, 2019 | March 8, 2021 | 0.85 | 5,000,000 | 5,000,000 | 0.420 |
| December 12, 2019 | December 12, 2021 | 1.61 | 1,050,000 | 2,100,000 | 0.150 |
| March 9, 2020 | March 9, 2022 | 1.86 | 12,500 | 50,000 | 0.150 |
| | | | 10,462,500 | 11,550,000 | \$ 0.556 |

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 and 25%; 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 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 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.

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

For the Nine Months Ended April 30, 2020 and 2019

14. SHARE-BASED COMPENSATION (continued)

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.

On December 12, 2019, the Company granted 2,700,000 stock options to directors, certain employees, and a consultant to acquire 2,700,000 common shares of the Company with an expiry date of December 12, 2021 at \$0.15 per share. The options vest over 12 months with 25% at the date of grant and then 25% each quarter thereafter. Options terminate immediately upon cessation of services to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$377,717 or \$0.08 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.70%, an expected dividend rate of 0.00%, stock price of \$0.15 and an expected annual volatility coefficient of 99%. Volatility was determined using historical stock prices.

During the nine months ended April 30, 2020, 3,200,000 stock options were cancelled with an average weighted exercise price of \$0.57. On cancellation of the stock options, \$966,002 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

15. REVENUE

The total revenue earned for the nine months ended April 30, 2020 includes excise sales taxes of \$693,269 (April 30, 2019 - \$Nil).

Gross revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Where the excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from sale of goods, as presented on the consolidated statements of comprehensive income (loss), represents revenue from the sale of goods less applicable excise taxes. Given that the excise tax payable/paid to the Canada Revenue Agency cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.

Net revenue as presented in the consolidated statements of comprehensive income (loss), represents revenue from the sale of goods less applicable excise taxes, expected price discounts, and allowances for customer returns. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

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

For the Nine Months Ended April 30, 2020 and 2019

16. GENERAL AND ADMINISTRATION EXPENSES

| | For the Three Months Ended | | For the Nine Months Ended | |
|--------------------------------|----------------------------|------------|---------------------------|--------------|
| | April 30 | April 30 | April 30 | April 30 |
| | 2020 | 2019 | 2020 | 2019 |
| Automobile expenses | \$ 802 | \$ 1,583 | \$ 3,491 | \$ 4,151 |
| Bad debt | 1,011 | - | 1,011 | - |
| Bank charges and interest | 83,156 | 27,234 | 228,489 | 70,636 |
| Consulting fees | 8,714 | 4,320 | 29,600 | 79,649 |
| Director fees | 18,762 | 6,908 | 31,018 | 21,054 |
| Insurance | 4,290 | 7,038 | 9,566 | 23,625 |
| Investor relations | 65,765 | 19,303 | 131,921 | 48,733 |
| Legal and accounting | 87,789 | 91,096 | 234,363 | 355,650 |
| Office and sundry | 16,723 | 40,855 | 76,282 | 104,819 |
| Payroll and benefits | 88,558 | 84,276 | 277,578 | 247,987 |
| Property tax | 1,039 | 9,802 | 22,029 | 27,923 |
| Rent | - | 1,108 | - | 18,908 |
| Repairs and maintenance | - | (9,170) | - | 4,372 |
| Strata fees | 828 | 6,408 | 7,711 | 13,791 |
| Telephone | 3,934 | 5,161 | 12,423 | 13,522 |
| Transfer agent and filing fees | 31,161 | 23,462 | 56,412 | 54,605 |
| Travel | 9,783 | 40,906 | 45,250 | 111,270 |
| | \$ 422,315 | \$ 360,290 | \$ 1,167,144 | \$ 1,200,695 |

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

| | April 30 | April 30 |
|---------------------------------------|------------|-----------|
| | 2020 | 2019 |
| Fair value of stock options exercised | \$ - | \$ 62,563 |
| Fair value of stock options cancelled | \$ 966,002 | \$ - |
| Income taxes paid | \$ - | \$ - |
| Interest paid | \$ 212,596 | \$ 46,125 |
| Interest received | \$ 51 | \$ 696 |

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

For the Nine Months Ended April 30, 2020 and 2019

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:

| | April 30 2020 | April 30 2019 |
|--------------------------|--------------------------|------------------|
| Director fees | \$ 30,000 | \$ 20,000 |
| Interest (note 9) | 2,767 | - |
| Rent | 101,400 | 128,997 |
| Salaries and benefits | 106,667 | 130,070 |
| Share-based compensation | 187,610 | 1,094,675 |
| | \$ 428,444 | \$ 1,373,742 |

The Company initially signed a month-to-month lease for premises from its Chief Executive Officer and Chief Financial Officer. 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 its Chief Financial Officer. 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 its Chief Executive Officer and Chief Financial Officer. 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 its Chief Executive Officer and Chief Financial Officer. 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.

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2020 and 2019

19. RELATED PARTY TRANSACTIONS (continued)

On January 13, 2020, the Company issued 5,333,333 Units of a non-brokerage private placement to John Miller, the President and CEO, in exchange for bona fide debt owing by the Company in the amount of \$800,000. Each Unit consists of one common share and one common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share of the Company for a period of 24 months from closing at a price of \$0.18 per share for the first three months, at \$0.25 during the following three months, at \$0.50 for the three months following that, and at \$0.80 during the final fifteen months. Warrants were valued at \$Nil using the residual value method. No finder's fees were paid.

At April 30, 2020, the Chief Executive Officer owes \$42,343 (July 31, 2019 - \$717,143 was owed) to the Company.

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 exist.

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 to/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.

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

For the Nine Months Ended April 30, 2020 and 2019

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**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.

(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 the 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 with 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 April 30, 2020, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts and accounts payable, and a Euro denominated account payable.

At April 30, 2020, financial instruments were converted at a rate of \$1 US dollar to \$1.3910 Canadian and \$1.5186 Euro to \$1 Canadian.

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

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

For the Nine Months Ended April 30, 2020 and 2019

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**b) Market risk (continued)****(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 April 30, 2020, 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.

(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 a 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, 2020 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 on 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.

On January 13, 2020, the Company completed a non-brokered private placement for 6,675,652 Units at \$0.15 per Unit for gross proceeds of \$201,348 and a repayment a bona fide debt of \$800,000 to John Miller, the President and CEO. Each Unit consists of one common share and one common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share of the Company for a period of 24 months from closing at a price of \$0.18 per share for the first three months, at \$0.25 during the following three months, at \$0.50 for the three months following that, and at \$0.80 during the final fifteen months. Warrants were valued at \$Nil using the residual value method. No finder's fees were paid.

The Company also announced an offer to existing shareholders to complete a non-brokered private placement for a further 3,333,333 Units at a price of \$0.15 per Unit for gross proceeds up to \$500,000. Each Warrant entitles the holder to purchase one Common Share of the Company for a period of 24 months from closing at a price of \$0.18 per share for the first six months, at \$0.25 during the following six months, at \$0.50 for the six months following that, and at \$0.80 during the final fifteen months.

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

For the Nine Months Ended April 30, 2020 and 2019

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

On February 28, 2020, the Company secured a \$1,000,000 mortgage for operating funds using the property on Acland Street in Kelowna, British Columbia as collateral. The interest rate is Prime plus 2%. The mortgage 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.

(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.

21. SUBSEQUENT EVENTS

On May 26, 2020, the Company granted 350,000 stock options to certain employees to acquire 350,000 common shares of the Company with an expiry date of May 26, 2022 at \$0.15 per share. The options vest over 12 months with 25% at the date of grant and then 25% each quarter thereafter. Options terminate immediately upon cessation of services to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$24,904 or \$0.07 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.30%, an expected dividend rate of 0.00%, stock price of \$0.15 and an expected annual volatility coefficient of 126%. Volatility was determined using historical stock prices.

On June 4, 2020, 400,000 stock options expired at \$1.10.

On each of June 12, 2020 and June 22, 2020, 25,000 stock options were exercised at \$0.15 for proceeds of \$3,750.