THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2021 and 2020

(Unaudited)

(Expressed in Canadian Dollars)

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of THC BioMed Intl Ltd. for the six months ended January 31, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or a review of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2021. They are signed on the Company's behalf by:

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	January 31	January 31	**January 31**	January 31
	2021	2020	**2021**	2020
Revenue (note 14)	**$ 1,021,989**	$ 1,246,625	**$ 1,644,014**	$ 2,291,135
Cost of sales (notes 3 and 5)	**(1,226,557)**	(791,146)	**(1,955,936)**	(1,540,176)
Gross profit (loss) before fair value adjustments	**(204,568)**	455,479	**(311,922)**	750,959
Realized fair value changes in biological assets included in inventory sold	**577,346**	1,319,362	**1,155,671**	1,445,040
Unrealized gain (loss) on changes in fair value of biological assets	**(1,485,291)**	1,824,045	**(886,613)**	3,314,127
Gross margin profit (loss)	**(2,267,205)**	**960,162**	**(2,354,206)**	**2,620,046**
Expenses				
Depreciation and amortization (note 6)	**245,767**	244,853	**487,649**	483,519
General and administration (notes 15 and 19)	**328,842**	392,908	**648,838**	744,829
Sales and marketing	**10,374**	4,210	**20,346**	9,294
Share-based compensation (notes 13 and 19)	**66,199**	228,854	**100,819**	602,063
	651,182	870,825	**1,257,652**	1,839,705
Other income (expense) items				
Foreign exchange loss	**(3,559)**	(1,741)	**(2,465)**	(3,922)
Interest income	**70**	14	**102**	41
Other	**366**	581	**534**	656
	(3,123)	(1,146)	**(1,829)**	(3,225)
Net and comprehensive income (loss) for the period	**$ (2,921,510)**	$ 88,191	**$ (3,613,687)**	$ 777,116
Basic and diluted loss per share	**$ (0.02)**	$ 0.00	**$ (0.02)**	$ 0.01
Weighted average number of shares outstanding	**162,951,748**	154,173,510	**160,763,013**	153,520,457

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

THC BIOMED INTL LTD.

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

As at	(Unaudited) January 31 2021	(Audited) July 31 2020
Assets		
Current		
Cash	**$ 771,102**	$ 751,459
Amounts receivable (note 3)	**446,808**	225,264
Due from related parties (note 19)	**107,859**	83,143
Biological assets (note 4)	**1,148,145**	3,200,051
Inventory (note 5)	**3,102,592**	3,531,465
Prepaid expenses and deposits	**255,214**	247,619
	5,831,720	8,039,001
Non-current		
Property and equipment (note 6)	**13,516,404**	13,735,653
	$19,348,124	$ 21,774,654
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 7 and 9)	**$ 2,870,149**	$ 2,546,536
Commercial operating loan (note 8)	**334,009**	462,107
Current portion of mortgages payable (note 9)	**595,687**	1,565,282
Curent portion of other long term liabilities (note 10)	**162,871**	153,011
Convertible debentures payable (note 11)	**828,900**	842,491
	4,791,616	5,569,427
Non-current		
Mortgages payable (note 9)	**2,560,079**	1,126,489
Other long term liabilities (note 10)	**121,189**	205,766
	2,681,268	1,332,255
	7,472,884	6,901,682
Shareholders' Equity		
Share capital (note 12)	**31,558,838**	31,059,338
Reserves	**9,144,653**	11,123,155
Accumulated deficit	**(28,828,251)**	(27,309,521)
	11,875,240	14,872,972
	$19,348,124	$ 21,774,654

Nature of operations (note 1)
Subsequent events (note 21)

"John Miller" — Director

"Hee Jung Chun" — Director

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

THC BIOMED INTL LTD.

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

	Number of Shares	Share Capital	Share Subscription Receivable	Share-Based Payment Reserve	Agent Warrants Reserve	Equity Feature on Convertible Debentures	Accumulated Deficit	(Unaudited) Total Equity
Balance, July 31, 2020	158,426,056	$ 31,059,338	$ -	$ 3,133,143	$ 7,961,454	$ 28,558	$(27,309,521)	$ 14,872,972
Shares issued for cash	5,000,000	550,000	-	-	-	-	-	550,000
Share issuance costs	-	(50,500)	-	-	-	-	-	(50,500)
Reverse fair value of stock options cancelled	-	-	-	(377,985)	-	-	377,985	-
Reverse fair value of stock options expired	-	-	-	(1,688,414)	-	-	1,688,414	-
Remove equity feature on previous convertible debentures			-			(28,558)	28,558	-
Equity feature on new convertible debentures	-	-	-	-	-	15,636	-	15,636
Share-based compensation	-	-	-	100,819	-	-	-	100,819
Loss for the period	-	-	-	-	-	-	(3,613,687)	(3,613,687)
Balance, January 31, 2021	**163,426,056**	**$ 31,558,838**	**$ -**	**$ 1,167,563**	**$ 7,961,454**	**$ 15,636**	**$(28,828,251)**	**$ 11,875,240**
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	(25,000)	-	-	-	-	176,348
Shares issued for debt	5,333,333	800,000	-	-	-	-	-	800,000
Reverse fair value of stock options cancelled	-	-	-	(333,036)	-	-	333,036	-
Share-based compensation	-	-	-	602,063	-	-	-	602,063
Income for the period	-	-	-	-	-	-	777,116	777,116
Balance, January 31, 2020	159,543,056	$ 31,196,190	$ (25,000)	$ 3,967,972	$ 7,961,454	$ -	$(27,290,483)	$ 15,810,133

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 (Unaudited) January 31 2021	(Unaudited) January 31 2020	For the six months ended (Unaudited) January 31 2021	(Unaudited) January 31 2020
Cash provided by (used for)				
Operating activities				
Net income (loss) for the period	**$ (2,921,510)**	$ 88,191	**$ (3,613,687)**	$ 777,116
Items not affecting cash				
Depreciation and amortization	**245,767**	244,853	**487,649**	483,519
Interest expense from right of use assets	**7,971**	-	**13,461**	-
Realized fair value changes in biological assets included in inventory sold	**577,346**	1,319,362	**1,155,671**	1,445,040
Share-based compensation	**66,199**	228,854	**100,819**	602,063
Unrealized gain on changes of fair value of biological assets	**1,485,291**	(1,824,045)	**886,613**	(3,314,127)
	(538,936)	57,215	**(969,474)**	(6,389)
Net change in non-cash working capital	**647,567**	236,832	**535,014**	(158,914)
	108,631	294,047	**(434,460)**	(165,303)
Financing activities				
Advances from related parties	**-**	144,395	**-**	82,857
Convertible debenture issued	**-**	-	**-**	261,857
Issuance of shares for cash, net of share issuance costs	**360,000**	176,348	**499,500**	176,348
Net mortgage principal received (repaid)	**492,695**	384,004	**463,996**	370,482
Principal lease payments from right of use assets	**(51,193)**	(100,789)	**(88,178)**	36,076
Proceeds received (repaid) from commercial operating loan	**(123,562)**	(379,864)	**(128,098)**	(289,864)
	677,940	224,094	**747,220**	637,756
Investing activities				
Acquisition of property and equipment	**(226,908)**	(313,702)	**(268,401)**	(1,078,313)
Advances to related parties	**(20,652)**	-	**(24,716)**	-
	(247,560)	(313,702)	**(293,117)**	(1,078,313)
Net decrease in cash	**539,011**	204,439	**19,643**	(605,860)
Cash, beginning of period	**232,091**	180,856	**751,459**	991,155
Cash, end of period	**$ 771,102**	$ 385,295	**$ 771,102**	$ 385,295

Supplemental cash flow information (note 17)

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

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 TFHD.

These 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 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.

1. DESCRIPTION OF THE BUSINESS AND GOING CONCERN (continued)

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.

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, 2020.

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, 2020, 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 March 31, 2021.

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.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

d) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the condensed interim consolidated 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 five 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. AMOUNTS RECEIVABLE

	January 31 2021	July 31 2020
Canadian Emergency Wage and Rent Subsidies	**$ 31,426**	$ 101,182
Other	**-**	3,000
Trade receivables	**415,382**	121,082
	$ 446,808	$ 225,264

The Federal Government of Canada passed legislation providing the Canada Emergency Wage Subsidy ("CEWS") on April 11, 2020. The Federal Government of Canada also passed legislation providing the Canada Emergency Rent Subsidy ("CERS") on November 19, 2020. CEWS is a wage subsidy and CERS is a rent subsidy for eligible Canadian employers whose business has been affected by COVID-19, and who have experienced the required reduction in revenue during the pandemic.

At January 31, 2021, $508,774 (October 31, 2019 - $Nil) was recognized as an offset to cost of sales, in accordance with *IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance*, in the condensed interim consolidated statement of comprehensive income (loss). As at January 31, 2021, $31,426 (July 31, 2020 – $101,082) remains outstanding and is included in amounts receivable. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS and CERS.

4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plant, resin, oil, harvested marijuana flowers prior to completion of the drying, grading and testing processes, and edible concentrate:

(Expressed in Canadian Dollars)

4. BIOLOGICAL ASSETS (continued)

	January 31 2021	July 31 2020
Carrying amount, beginning of period	**$ 3,200,051**	$ 2,454,455
Capitalized costs	**1,093,221**	656,481
Sales of biological assets	**-**	(10,619)
Transferred to inventory upon harvest	**(1,102,843)**	(2,040,143)
Net change in fair value	**(2,042,284)**	2,139,877
Carrying amount, end of period	**$ 1,148,145**	$ 3,200,051

Biological assets are valued in accordance with IAS 41 – *Agriculture* and are presented at their fair value less costs to sell up to the point of harvest. The fair value measurements for biological assets have been categorized as Level 3 of the fair value hierarchy based on the inputs to the valuation technique used, as there is currently no actively traded commodity market for plants. The fair value was determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated fair value less costs to sell per gram. The significant assumptions applied in determining the fair value of biological assets are as follows:

a) wastage of plants based on their various stages;
b) expected yield by strain of plant of approximately 70 grams per plant based on an average of historical growing results;
c) percentage of costs incurred to date compared to the estimated total costs to be incurred ("stage of plant growth");
d) percentage of costs incurred for each stage of plant growth;
e) average selling price of $3.98 per gram (July 31, 2020 - $3.20 per gram); and
f) average selling costs of $0.98 per gram (July 31, 2020 - $0.89 per gram).

The selling price used in the valuation of biological assets is based on the average selling price of cannabis products for the recreational market and medical market. Expected yields for the cannabis plant is also subject to a variety of factors based on the grow room used, space allocated in the grow room, and flowering time. Selling costs include packaging, labelling, shipping, and other costs incurred to sell cannabis products for the recreational and medical market.

The Company periodically assesses the significant assumptions applied in determining the fair value of biological assets based on historical information obtained as well as planned production schedules. When there is a material change in any of the significant assumptions, the fair value of biological assets is adjusted.

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:

(Expressed in Canadian Dollars)

4. 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	\$3.98 (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 observable and unobservable inputs used to calculate the fair value of biological assets at January 31, 2021 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	$ 918,516	$ 1,033,331	$ 1,148,145	$ 1,262,960	$ 1,377,774

5. INVENTORY

Inventory is comprised of the following:

	January 31 2021	July 31 2020
Finished goods	**$ 470,451**	$ 911,755
Supplies and consumables	**282,014**	226,726
Unpackaged cannabis	**2,350,127**	2,392,984
Carrying amount - inventory	**$ 3,102,592**	$ 3,531,465

Inventory expensed during the six months ended January 31, 2021 was $1,955,936 (January 31, 2020 - $1,540,176).

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	July 31 2019	Additions (Dispositions)	July 31 2020	Additions (Dispositions)	**January 31 2021**
Cost					
Automobile equipment	$ 33,600	$ -	$ 33,600	$ -	**$ 33,600**
Buildings	6,156,818	616,503	6,773,321	187,709	**6,961,030**
Computer equipment	76,293	7,359	83,652	-	**83,652**
Equipment	1,665,491	528,282	2,193,773	72,365	**2,266,138**
Furniture and fixtures	98,037	791	98,828	-	**98,828**
Land	4,110,620	255,964	4,366,584	-	**4,366,584**
Leasehold improvements	1,567,897	18,061	1,585,958	8,327	**1,594,285**
Right of use property	-	482,708	482,708	-	**482,708**
Software	81,002	-	81,002	-	**81,002**
	$ 13,789,758	$ 1,909,668	$ 15,699,426	$ 268,401	**$ 15,967,827**

	July 31 2019	Depreciation/ Amortization	July 31 2020	Depreciation/ Amortization	**January 31 2021**
Accumulated Depreciation/Amortization					
Automobile equipment	$ 5,040	$ 5,040	$ 10,080	$ 2,520	**$ 12,600**
Buildings	259,808	248,210	508,018	127,183	**635,201**
Computer equipment	60,289	10,826	71,115	3,448	**74,563**
Equipment	301,300	325,667	626,967	160,299	**787,266**
Furniture and fixtures	24,159	14,854	39,013	5,981	**44,994**
Leasehold improvements	220,734	271,240	491,974	109,815	**601,789**
Right of use property	-	135,605	135,605	78,403	**214,008**
Software	78,088	2,914	81,002	-	**81,002**
	$ 949,418	$ 1,014,356	$ 1,963,774	$ 487,649	**$ 2,451,423**
Carrying Amounts	$ 12,840,340		$ 13,735,652		**$ 13,516,404**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31 2021	July 31 2020
Accrued liabilities	**$ 55,320**	$ 179,876
Other payables	**1,430,646**	1,038,143
Trade payables	**1,384,183**	1,328,517
	$ 2,870,149	$ 2,546,536

(Expressed in Canadian Dollars)

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 is payable upon demand and subject to an annual review. At January 31, 2021, the balance payable is $334,009 (July 31, 2020 - $462,107).

9. MORTGAGES PAYABLE

	January 31 2021	July 31 2020
Total mortgages	**$ 3,155,766**	$ 2,691,771
Current portion	**(595,687)**	(1,565,282)
Non-current portion	**$ 2,560,079**	**$ 1,126,489**

The Company has a mortgage payable on 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 January 31, 2021, the balance payable is $106,817 (July 31, 2020 - $117,683) with accrued interest of $293 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on 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 was extended to mature on October 2, 2020 and has been extended again to mature on October 2, 2023 on the same terms. At January 31, 2021, the balance payable is $190,904 (July 31, 2020 - $197,032) with accrued interest of $1,517 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 January 31, 2021, the balance payable is $269,435 (July 31, 2020 - $274,852) with accrued interest of $2,282 included in accounts payable and accrued liabilities.

The Company had a mortgage payable on a property 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 May 1, 2021. The Company also had a mortgage payable on a property 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. These mortgages were refinanced into a new mortgage in the principal amount of $440,000 with interest at 4.55% per annum with monthly payments of $2,800 due on the 1st day of each month starting February 1, 2021 with the mortgage due on January 31, 2023. At January 31, 2021, the balance payable is $440,000 (July 31, 2020 - $328,827) with accrued interest of $Nil included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

9. MORTGAGES PAYABLE (continued)

The Company has a mortgage payable on a property 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 January 31, 2021, the balance payable is $391,143 (July 31, 2020 - $394,174) with accrued interest of $3,264 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a property acquired in the principal amount of $400,000 with interest at prime plus 1.5% per annum with monthly payments of $2,760 due on the 1st day of each month starting December 1, 2019 with the mortgage due on November 1, 2020. The mortgage has been extended to November 1, 2021. At January 31, 2021, the balance payable is $381,535 (July 31, 2020 - $392,315) with accrued interest of $1,270 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 January 31, 2021, the balance payable is $965,932 (July 31, 2020 - $986,887) with accrued interest of $3,651 included in accounts payable and accrued liabilities.

On December 29, 2020, the Company secured a $410,000 mortgage for business operating funds using the facility on St. Paul Street, in Kelowna, British Columbia as collateral. The interest rate is 3.25% with monthly payments of $2,330 due on the 1st day of each month starting February 1, 2020 with the mortgage due on January 31, 2023. At January 31, 2021, the balance payable is $410,000 (July 31, 2020 - $Nil) with accrued interest of $Nil included in accounts payable and accrued liabilities.

10. OTHER LIABILITIES

The following table presents the lease obligations of the Company:

	January 31 2021	July 31 2020
Operating lease obligations recognized at beginning of the year	**$ 358,777**	$ 373,780
Leases entered into during the year	**-**	108,928
Payments of lease obligations	**(88,178)**	(152,349)
Interest expense on lease obligations	**13,461**	28,418
Lease obligations balance at end of the period	**$ 284,060**	$ 358,777

(Expressed in Canadian Dollars)

10. OTHER LIABILITIES (continued)

The following table presents a maturity analysis of the contractual undiscounted cash flows from lease obligations:

	January 31 2021	July 31 2020
Less than one year	$ 88,803	$ 176,873
One to five years	217,460	206,848
Total undiscounted lease obligations	$ 306,263	$ 383,721

Pursuant to IFRS 16, as of August 1, 2019, lease liabilities have been recognized on the condensed interim consolidated statement of financial position. At January 31, 2021, the lease liabilities totaled $284,060 (July 31, 2020 - $358,777). Three of the leases expire on August 31, 2022, one expires on September 30, 2022, and one expires on February 28, 2023.

	January 31 2021	July 31 2020
Lease obligations balance at end of the period	$ 284,060	$ 358,777
Current portion	(162,871)	(153,011)
Long term portion	$ 121,189	$ 205,766

11. CONVERTIBLE DEBENTURES PAYABLE

During the year ended July 31, 2020, the Company issued two convertible debentures in the aggregate amount of $904,536. The debentures had terms of one year each, with options to extend the term by an additional 12 months, at the option of the Company. The Company has extended the options by paying an extension fee equal to 1% of the principal amount payable.

On August 16, 2019 the Company issued a $642,679 debenture, which bears interest at a rate of 8% per annum calculated on an annual basis and payable quarterly in arrears. The debenture holder shall have the option to fully convert the then outstanding principal amount into common shares of the Company based on a conversion price of $0.25 per share. During the year ended July 31, 2020, the Company repaid $60,000 of principal.

On October 23, 2019 the Company issued a $261,857 debenture, which bears interest at a rate of 10% per annum calculated on an annual basis and payable quarterly in arrears. The debenture holder shall have the option to fully convert the then outstanding principal amount into common shares of the Company based on a conversion price of $0.20 per share.

The continuity of the convertible debentures issued as at January 31, 2021 is as follows:

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURES PAYABLE (continued)

	Liability	Equity Portion	Total
Balance, July 31, 2019	$ -	$ -	$ -
Issuance of debentures	875,978	28,558	904,536
Interest accrued	56,192	-	56,192
Interest paid	(58,237)	-	(58,237)
Repayment of principal	(60,000)	-	(60,000)
Balance, July 31, 2020	813,933	28,558	842,491
Remove equity feature on previous convertible debentures	-	(28,558)	(28,558)
Equity feature on new convertible debentures	-	15,636	15,636
Interest accrued	52,680	-	52,680
Interest paid	(37,713)	-	(37,713)
Balance, January 31, 2021	**$ 828,900**	**$ 15,636**	**$ 844,536**

12. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

	Issued Number	Amount
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
Stock options exercised	100,000	15,000
Fair value of stock options exercised	-	11,592
Shares cancelled under Normal Course Issuer Bid	(1,217,000)	(163,444)
Balance, July 31, 2020	158,426,056	31,059,338
Shares issued for cash	5,000,000	550,000
Share issuance costs	-	(50,500)
Balance, January 31, 2021	**163,426,056**	**$ 31,558,838**

12. SHARE CAPITAL (continued)

a) Common shares (continued)

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 January 31, 2021, the Company has purchased a total of 1,217,000 common shares pursuant to the normal course issuer bid for $163,445 or an average price of $0.13 per share.

During the year ended July 31, 2020, 100,000 stock options were exercised at $0.15 per share for proceeds of $15,000.

On October 21, 2020, the Company completed the first tranche of a private placement to total $1,500,000. In the first tranche, the Company issued 1,363,637 units ("Units") at a price of $0.11 per Unit, for total proceeds of $150,000. Each Unit consists of one common share and one common share purchase warrant. Each Unit warrant entitles the holder to purchase one common share of the Company for a period of 24 months from closing at a price of $0.15 per share. Commission of 7% cash was paid and 7% broker warrants for 95,455 broker warrants were issued. The broker warrants have the same terms as the Unit warrants. The Company intends to close additional tranches in the near-term.

On November 12, 2020, the Company completed the second tranche of a private placement to total $1,500,000 leaving a balance of $950,000 remaining. In the second tranche, the Company issued 3,636,363 units ("Units") at a price of $0.11 per Unit, for total proceeds of $400,000. Each Unit consists of one common share and one common share purchase warrant. Each Unit warrant entitles the holder to purchase one common share of the Company for a period of 24 months from closing at a price of $0.15 per share. Commission of 10% cash was paid and 7% broker warrants for 254,545 broker warrants were issued. The broker warrants have the same terms as the Unit warrants. The Company intends to close additional tranches in the near-term.

b) Escrow shares

Currently 690 common shares (July 31, 2020 – 690) are held in escrow.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2019	28,687,981	$	0.7875
Warrants issued	6,675,652		0.5000
Balance, July 31, 2020	35,363,633		0.7333
Warrants expired	(5,881,330)		1.2170
Warrants issued	5,000,000		0.1500
Balance, January 31, 2021	**34,482,303**	**$**	**0.6084**

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
February 8, 2021	0.02	1,002,673		2.0800
March 2, 2021	0.08	932,835		1.6800
March 15, 2021	0.12	531,915		1.7630
September 25, 2021	0.65	1,344,086		1.1625
October 2, 2021	0.67	1,428,572		1.0875
December 10, 2021	0.86	1,449,275		0.5750
January 13, 2022	0.95	6,675,652		0.5000
January 18, 2022	0.96	1,479,289		0.5630
January 30, 2022	1.00	1,552,795		0.5380
February 8, 2022	1.02	1,449,275		0.5750
February 28, 2022	1.08	1,623,377		0.5120
March 14, 2022	1.12	1,623,377		0.5120
March 29, 2022	1.16	1,901,141		0.4380
July 15, 2022	1.45	5,222,219		0.3000
July 22, 2022	1.47	1,265,822		0.2620
October 22, 2022	1.72	1,363,637		0.1500
November 12, 2022	1.78	3,636,363		0.1500
		34,482,303	$	0.6084

d) Agent warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2019 and 2020	5,385,000	$	1.20
Warrants issued	350,000		0.15
Balance, January 31, 2021	**5,735,000**	**$**	**1.14**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

d) **Agent warrants outstanding** (continued)

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
March 13, 2022	1.11	5,385,000	$	1.20
October 22, 2022	1.72	95,455		0.15
November 12, 2022	1.78	254,545		0.15
		5,735,000	$	1.14

13. SHARE-BASED COMPENSATION

The Company is authorized to grant options to directors, officers, employees, and consultants to acquire common shares under the 2015 Stock Option Incentive Plan (the “Plan”). The essential elements of the Plan provide that the aggregate number of shares of the Company’s 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, 2019	12,000,000	$	0.654
Options granted	3,100,000		0.150
Options exercised	(100,000)		0.150
Options cancelled	(3,475,000)		0.530
Options expired	(400,000)		1.100
Balance, July 31, 2020	11,125,000		0.535
Options cancelled	(1,175,000)		0.603
Options expired	(3,500,000)		0.890
Balance, January 31, 2021	**6,450,000**	**$**	**0.330**

(Expressed in Canadian Dollars)

13. SHARE-BASED COMPENSATION (continued)

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
March 8, 2019	March 8, 2021	0.10	4,300,000	4,300,000	0.420
December 12, 2019	December 12, 2021	0.86	1,800,000	1,800,000	0.150
March 9, 2020	March 9, 2022	1.10	50,000	50,000	0.150
May 26, 2020	May 26, 2022	1.32	225,000	300,000	0.150
			6,375,000	6,450,000	$ 0.330

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.

On March 9, 2020, the Company granted 50,000 stock options to a director to acquire 50,000 common shares of the Company with an expiry date of March 9, 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 $1,750 or $0.04 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.53%, an expected dividend rate of 0.00%, stock price of $0.10 and an expected annual volatility coefficient of 86%. Volatility was determined using historical stock prices.

On May 26, 2020, the Company granted 350,000 stock options to a 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 89%. Volatility was determined using historical stock prices.

During the year ended July 31, 2020, 3,475,000 stock options were cancelled with an average weighted exercise price of $0.53. On cancellation of the stock options, $995,756 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

During the year ended July 31, 2020, 400,000 stock options expired with an exercise price of $1.10. On expiration of the stock options, $256,948 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

On August 10, 2020, 1,025,000 stock options were cancelled at an average price of $0.643 per share.

(Expressed in Canadian Dollars)

13. SHARE-BASED COMPENSATION (continued)

On September 25, 2020, 3,500,000 stock options expired exercisable at $0.89 per share.

On November 6, 2020, 150,000 stock options were cancelled with an average exercise price of $0.33 per share.

14. REVENUE

The total revenue earned for the six months ended January 31, 2021 includes excise sales taxes of $464,765 (January 31, 2020 - $493,299).

15. GENERAL AND ADMINISTRATION EXPENSES

	For the three months ended		For the six months ended	
	January 31 2021	January 31 2020	**January 31 2021**	January 31 2020
Automobile expenses	**$ 1,802**	$ 1,920	**$ 3,690**	$ 2,689
Bank charges and interest	**71,126**	78,940	**170,282**	145,333
Consulting fees	**6,808**	20,886	**6,808**	20,886
Director fees	**25,558**	6,128	**50,030**	12,256
Insurance	**3,729**	1,074	**8,086**	5,276
Investor relations	**22,201**	32,499	**33,790**	66,156
Legal and accounting	**36,959**	81,527	**96,406**	146,574
Office and sundry	**22,461**	34,598	**38,213**	59,559
Payroll and benefits	**105,593**	92,391	**178,424**	189,020
Property tax	**7,827**	10,490	**15,655**	20,990
Strata fees	**2,052**	3,312	**4,104**	6,883
Telephone	**3,725**	3,784	**8,689**	8,489
Transfer agent and filing fees	**17,030**	14,619	**29,091**	25,251
Travel	**1,971**	10,740	**5,570**	35,467
	$ 328,842	$ 392,908	**$ 648,838**	$ 744,829

16. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars)

17. SUPPLEMENTAL CASH FLOW INFORMATION

	January 31 2021	January 31 2020
Fair value of stock options cancelled and expired	$ 2,066,399	$ 333,036
Income taxes paid	$ -	$ -
Interest paid	$ 135,696	$ 134,016
Interest received	$ 102	$ 41

18. COMMITMENTS

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

Year Ending	Amount
2021	$ 88,693
2022	178,123
2023	160,671
	$ 427,487

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:

	January 31 2021	January 31 2020
Director fees	$ 47,000	$ 12,000
Interest	-	2,511
Rent	67,600	67,600
Salaries and benefits	150,000	60,000
Share-based compensation	12,766	87,093
	$ 277,366	$ 229,204

19. RELATED PARTY TRANSACTIONS (continued)

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.

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 January 31, 2021, the Chief Executive Officer owes $103,534 (July 31, 2020 - $70,761) to the Company and the Chief Financial Officer owes $4,325 (July 31, 2020 - $12,492).

Close family members of the Chief Executive Officer were paid salaries in the amount of $50,004 (January 31, 2020 - $63,308) for the six months ended January 31, 2021.

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 convertible debentures are carried at fair value at issuance using a discount rate of 12%.

The carry values of cash, amounts receivable, accounts payable and accrued liabilities, commercial operating loan, mortgages 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.

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Market risk (continued)

(i) Interest rate risk (continued)

Current financial assets and financial liabilities are generally not exposed to significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is 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 January 31, 2021, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts and accounts payable, and Euro and Australian denominated accounts payable.

At January 31, 2021, financial instruments were converted at a rate of $1 US dollar to $1.2780 Canadian, $1.5513 Euro to $1 Canadian, and $0.9793 AUD 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. The Company has assessed the impairment of its amounts receivable using the ECL model and no material difference was noted. At January 31, 2021, 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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Market risk (continued)

(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 January 31, 2021 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.

(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 February 8, 2021, 1,002,673 warrants expired that were exercisable at $2.08 per share.

On February 11, 2021, the Company granted 8,550,000 stock options to certain employees, directors, consultants, and contractors to acquire 8,550,000 common shares of the Company with an expiry date of February 11, 2023 at $0.215 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.

On February 12, 2021, 250,000 stock options were exercised at $0.15 for proceeds of $37,500.

On February 22, 2021, 162,500 stock options were exercised at $0.15 for proceeds of $24,375.

On March 2, 2021, 932,835 warrants expired that were exercisable at $1.68 per share.

21. SUBSEQUENT EVENTS (continued)

On March 4, 2021, 150,000 stock options were canceled that expire on February 11, 2023 that were exercisable at $0.215 per share.

On March 8, 2021, 4,300,000 stock options expired that were exercisable at $0.42 per share.

On March 15, 2021, 531,915 warrants expired that were exercisable at $1.763 per share.

On March 16, 2021, the Company granted 500,000 stock options to a contractor to acquire 500,000 common shares of the Company with an expiry date of March 16, 2023 at $0.165 per share. 50,000 stock options vest at the date of grant and the balance pursuant to specific milestones being attained.