



THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian Dollars)

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

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Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of THC BioMed Intl Ltd. for the nine months ended April 30, 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 June 28, 2021. 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 2021	(Unaudited) April 30 2020	(Unaudited) April 30 2021	(Unaudited) April 30 2020
Revenue (note 14)	\$ 1,109,503	\$ 896,104	\$ 2,753,517	\$ 3,187,239
Cost of sales (notes 3 and 5)	(1,227,185)	(706,411)	(3,183,121)	(2,246,587)
Gross profit (loss) before fair value adjustments	(117,682)	189,693	(429,604)	940,652
Realized fair value changes in biological assets included in inventory sold	(330,074)	(327,419)	(1,485,745)	(1,772,459)
Unrealized gain (loss) on changes in fair value of biological assets	160,486	615,701	(726,127)	3,929,828
Gross margin profit (loss)	(287,270)	477,975	(2,641,476)	3,098,021
Expenses				
Depreciation and amortization (note 6)	244,754	261,687	732,403	745,206
General and administration (notes 15 and 19)	337,560	422,315	986,398	1,167,144
Sales and marketing	17,415	5,558	37,761	14,852
Share-based compensation (notes 13 and 19)	430,426	84,717	531,245	686,780
	1,030,155	774,277	2,287,807	2,613,982
Other income (expense) items				
Foreign exchange loss	(2,368)	509	(4,833)	(3,413)
Interest income	22	10	124	51
Other	268	66	802	722
	(2,078)	585	(3,907)	(2,640)
Net and comprehensive income (loss) for the period	\$ (1,319,503)	\$ (295,717)	\$ (4,933,190)	\$ 481,399
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ 0.00
Weighted average number of shares outstanding	163,536,450	158,983,356	161,741,578	155,314,840

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) April 30 2021	(Audited) July 31 2020
Assets		
Current		
Cash	\$ 202,077	\$ 751,459
Amounts receivable (note 3)	316,790	225,264
Due from related parties (note 19)	109,286	83,143
Biological assets (note 4)	1,299,971	3,200,051
Inventory (note 5)	2,614,489	3,531,465
Prepaid expenses and deposits	226,222	247,619
	4,768,835	8,039,001
Non-current		
Property and equipment (note 6)	13,284,957	13,735,653
	\$18,053,792	\$ 21,774,654
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 7 and 9)	\$ 2,515,942	\$ 2,546,536
Commercial operating loan (note 8)	331,876	462,107
Current portion of mortgages payable (note 9)	1,136,962	1,565,282
Current portion of other long term liabilities (note 10)	163,463	153,011
Convertible debentures payable (note 11)	785,226	842,491
	4,933,469	5,569,427
Non-current		
Mortgages payable (note 9)	1,984,717	1,126,489
Other long term liabilities (note 10)	81,894	205,766
	2,066,611	1,332,255
	7,000,080	6,901,682
Shareholders' Equity		
Share capital (note 12)	31,675,991	31,059,338
Reserves	8,558,476	11,123,155
Accumulated deficit	(29,180,755)	(27,309,521)
	11,053,712	14,872,972
	\$18,053,792	\$ 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-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	-	(38,500)	-	-	-	-	(38,500)
Stock options exercised	412,500	61,875	-	-	-	-	61,875
Reverse fair value of stock options exercised	-	43,278	(43,278)	-	-	-	-
Reverse fair value of stock options cancelled	-	-	(390,833)	-	-	390,833	-
Reverse fair value of stock options expired	-	-	(2,642,565)	-	-	2,642,565	-
Remove equity feature on previous convertible debentures	-	-	-	-	(28,558)	28,558	-
Equity feature on new convertible debentures	-	-	-	-	9,310	-	9,310
Share-based compensation	-	-	531,245	-	-	-	531,245
Loss for the period	-	-	-	-	-	(4,933,190)	(4,933,190)
Balance, April 30, 2021	163,838,556	\$ 31,675,991	\$ 587,712	\$ 7,961,454	\$ 9,310	\$(29,180,755)	\$ 11,053,712
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

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
	2021	2020	2021	2020
Cash provided by (used for)				
Operating activities				
Net income (loss) for the period	\$ (1,319,503)	\$ (295,717)	\$ (4,933,190)	\$ 481,399
Items not affecting cash				
Depreciation and amortization	244,754	261,687	732,403	745,206
Interest expense from right of use assets	5,593	6,650	19,054	19,640
Realized fair value changes in biological assets included in inventory sold	330,074	327,419	1,485,745	1,772,459
Share-based compensation	430,426	84,717	531,245	686,780
Unrealized gain on changes of fair value of biological assets	(160,486)	(615,701)	726,127	(3,929,828)
	(469,142)	(230,945)	(1,438,616)	(224,344)
Net change in non-cash working capital	(28,508)	380,768	506,506	263,475
	(497,650)	149,823	(932,110)	39,131
Financing activities				
Advances (to) from related parties	-	(42,343)	-	40,514
Convertible debenture issued	-	-	-	261,857
Convertible debenture principal payment	(50,000)	(50,000)	(50,000)	(50,000)
Issuance of shares for cash, net of share issuance costs	73,875	25,000	573,375	201,348
Net mortgage principal received (repaid)	(34,088)	980,358	429,908	1,350,840
Principal lease payments for right of use assets	(44,296)	(33,066)	(132,474)	(87,677)
Proceeds repaid to commercial operating loan	(2,133)	(32,609)	(130,231)	3,467
Proceeds received from (repaid to) line of credit	-	(60,136)	-	(350,000)
Shares cancelled under Normal Course Issuer Bid	-	(163,444)	-	(163,444)
	(56,642)	623,760	690,578	1,206,905
Investing activities				
Acquisition of property and equipment	(13,306)	(277,591)	(281,707)	(1,355,904)
Advances to related parties	(1,427)	-	(26,143)	-
	(14,733)	(277,591)	(307,850)	(1,355,904)
Net decrease in cash	(569,025)	495,992	(549,382)	(109,868)
Cash, beginning of period	771,102	385,295	751,459	991,155
Cash, end of period	\$ 202,077	\$ 881,287	\$ 202,077	\$ 881,287

Supplemental cash flow information (note 17)

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

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2021 and 2020

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.

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2021 and 2020

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 June 28, 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.

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

For the Nine Months Ended April 30, 2021 and 2020

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

	April 30	July 31
	2021	2020
Canadian Emergency Wage and Rent Subsidies	\$ 24,572	\$ 101,182
Other	-	3,000
Trade receivables	292,218	121,082
	\$ 316,790	\$ 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 April 30, 2021, \$606,066 (April 30, 2020 - \$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 April 30, 2021, \$24,572 (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:

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

For the Nine Months Ended April 30, 2021 and 2020

4. BIOLOGICAL ASSETS (continued)

	April 30	July 31
	2021	2020
Carrying amount, beginning of period	\$ 3,200,051	\$ 2,454,455
Capitalized costs	1,808,935	656,481
Sales of biological assets	-	(10,619)
Transferred to inventory upon harvest	(1,497,143)	(2,040,143)
Net change in fair value	(2,211,872)	2,139,877
Carrying amount, end of period	\$ 1,299,971	\$ 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 \$3.00 per gram (July 31, 2020 - \$3.20 per gram); and
- f) average selling costs of \$1.29 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:

THC BIOMED INTL LTD.

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

For the Nine Months Ended April 30, 2021 and 2020

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	\$3.00 (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 April 30, 2021 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	\$ 1,039,977	\$ 1,169,974	\$ 1,299,971	\$ 1,429,968	\$ 1,559,965

5. INVENTORY

Inventory is comprised of the following:

	April 30 2021	July 31 2020
Finished goods	\$ 317,944	\$ 911,755
Supplies and consumables	307,980	226,726
Unpackaged cannabis	1,988,565	2,392,984
Carrying amount - inventory	\$ 2,614,489	\$ 3,531,465

Inventory expensed during the nine months ended April 30, 2021 was \$2,880,734 (April 30, 2020 - \$1,772,459).

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)****For the Nine Months Ended April 30, 2021 and 2020****6. PROPERTY AND EQUIPMENT**

	July 31 2019	Additions (Dispositions)	July 31 2020	Additions (Dispositions)	April 30 2021
Cost					
Automobile equipment	\$ 33,600	\$ -	\$ 33,600	\$ -	\$ 33,600
Buildings	6,156,818	616,503	6,773,321	188,768	6,962,089
Computer equipment	76,293	7,359	83,652	-	83,652
Equipment	1,665,491	528,282	2,193,773	84,613	2,278,386
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	\$ 281,708	\$ 15,981,134
Accumulated Depreciation/Amortization					
Automobile equipment	\$ 5,040	\$ 5,040	\$ 10,080	\$ 3,780	\$ 13,860
Buildings	259,808	248,210	508,018	190,800	698,818
Computer equipment	60,289	10,826	71,115	5,172	76,287
Equipment	301,300	325,667	626,967	241,365	868,332
Furniture and fixtures	24,159	14,854	39,013	8,973	47,986
Leasehold improvements	220,734	271,240	491,974	164,721	656,695
Right of use property	-	135,605	135,605	117,592	253,197
Software	78,088	2,914	81,002	-	81,002
	\$ 949,418	\$ 1,014,356	\$ 1,963,774	\$ 732,403	\$ 2,696,177
Carrying Amounts	\$ 12,840,340		\$ 13,735,652		\$ 13,284,957

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30 2021	July 31 2020
Accrued liabilities	\$ 66,606	\$ 179,876
Other payables	1,316,386	1,038,143
Trade payables	1,132,950	1,328,517
	\$ 2,515,942	\$ 2,546,536

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

For the Nine Months Ended April 30, 2021 and 2020

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 April 30, 2021, the balance payable is \$331,876 (July 31, 2020 - \$462,107).

9. MORTGAGES PAYABLE

	April 30 2021	July 31 2020
Total mortgages	\$ 3,121,679	\$ 2,691,771
Current portion	(1,136,962)	(1,565,282)
Non-current portion	\$ 1,984,717	\$ 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 April 30, 2021, the balance payable is \$101,119 (July 31, 2020 - \$117,683) with accrued interest of \$277 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 April 30, 2021, the balance payable is \$187,617 (July 31, 2020 - \$197,032) with accrued interest of \$1,491 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, 2021, the balance payable is \$266,488 (July 31, 2020 - \$274,852) with accrued interest of \$2,190 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 April 30, 2023. At April 30, 2021, the balance payable is \$437,600 (July 31, 2020 - \$328,827) with accrued interest of \$1,621 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, 2021 and 2020

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 April 30, 2021, the balance payable is \$389,353 (July 31, 2020 - \$394,174) with accrued interest of \$3,200 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 April 30, 2021, the balance payable is \$376,956 (July 31, 2020 - \$392,315) with accrued interest of \$1,224 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, 2021, the balance payable is \$955,071 (July 31, 2020 - \$986,887) with accrued interest of \$3,493 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 April 30, 2023. At April 30, 2021, the balance payable is \$407,476 (July 31, 2020 - \$Nil) with accrued interest of \$1,081 included in accounts payable and accrued liabilities.

10. OTHER LIABILITIES

The following table presents the lease obligations of the Company:

	April 30 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	(132,474)	(152,349)
Interest expense on lease obligations	19,054	28,418
Lease obligations balance at end of the period	\$ 245,357	\$ 358,777

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10. OTHER LIABILITIES (continued)

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

	April 30 2021	July 31 2020
Less than one year	\$ 44,401	\$ 176,873
One to five years	217,460	206,848
Total undiscounted lease obligations	\$ 261,861	\$ 383,721

Pursuant to IFRS 16, as of August 1, 2019, lease liabilities have been recognized in the condensed interim consolidated statement of financial position. At April 30, 2021, the lease liabilities totaled \$245,357 (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.

	April 30 2021	July 31 2020
Lease obligations balance at end of the period	\$ 245,357	\$ 358,777
Current portion	(163,463)	(153,011)
Long term portion	\$ 81,894	\$ 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. During the nine months ended April 30, 2021, the Company repaid \$50,000 of principal.

The continuity of the convertible debentures issued as at April 30, 2021 is as follows:

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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	-	9,310	9,310
Interest accrued	65,656	-	65,656
Interest paid	(53,673)	-	(53,673)
Repayment of principal	(50,000)	-	(50,000)
Balance, April 30, 2021	\$ 775,916	\$ 9,310	\$ 785,226

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	-	(38,500)
Stock options exercised	412,500	61,875
Fair value of stock options exercised	-	43,278
Balance, April 30, 2021	163,838,556	\$ 31,675,991

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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 April 30, 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.

During the nine months ended April 30, 2021, 412,500 stock options were exercised at \$0.15 per share for proceeds of \$61,875.

b) Escrow shares

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

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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	(8,348,753)	1.4073
Warrants issued	5,000,000	0.1500
Balance, April 30, 2021	32,014,880	\$ 0.5119

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
September 25, 2021	0.41	1,344,086	1.1625
October 2, 2021	0.42	1,428,572	1.0875
December 10, 2021	0.61	1,449,275	0.5750
January 13, 2022	0.71	6,675,652	0.5000
January 18, 2022	0.72	1,479,289	0.5630
January 30, 2022	0.75	1,552,795	0.5380
February 8, 2022	0.78	1,449,275	0.5750
February 28, 2022	0.83	1,623,377	0.5120
March 14, 2022	0.87	1,623,377	0.5120
March 29, 2022	0.91	1,901,141	0.4380
July 15, 2022	1.21	5,222,219	0.3000
July 22, 2022	1.23	1,265,822	0.2620
October 22, 2022	1.48	1,363,637	0.1500
November 12, 2022	1.54	3,636,363	0.1500
		32,014,880	\$ 0.5119

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, April 30, 2021	5,735,000	\$ 1.14

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

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
March 13, 2022	0.87	5,385,000	\$ 1.20
October 22, 2022	1.48	95,455	0.15
November 12, 2022	1.54	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 granted	9,050,000	0.212
Options exercised	(412,500)	0.150
Options cancelled	(1,375,000)	0.544
Options expired	(7,800,000)	0.630
Balance, April 30, 2021	10,587,500	\$ 0.202

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13. SHARE-BASED COMPENSATION (continued)

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
December 12, 2019	December 12, 2021	0.62	1,375,000	1,375,000	0.150
March 9, 2020	March 9, 2022	0.86	50,000	50,000	0.150
May 26, 2020	May 26, 2022	1.07	187,500	262,500	0.150
February 12, 2021	February 12, 2023	1.79	2,100,000	8,400,000	0.215
March 17, 2021	March 17, 2023	1.88	50,000	500,000	0.165
			3,762,500	10,587,500	\$ 0.202

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 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.

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13. SHARE-BASED COMPENSATION (continued)

On February 12, 2021, the Company granted 8,550,000 stock options to directors, certain employees and consultants to acquire 8,550,000 common shares of the Company with an expiry date of February 12, 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. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$786,294 or \$0.09 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.19%, an expected dividend rate of 0.00%, stock price of \$0.215 and an expected annual volatility coefficient of 80%. Volatility was determined using historical stock prices.

On March 17, 2021, the Company granted 500,000 stock options to a certain consultant to acquire 500,000 common shares of the Company with an expiry date of March 17, 2023 at \$0.165 per share. 50,000 of the options vest at the date of grant and the balance pursuant to specific milestones being attained. 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 \$3,703 or \$0.07 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, stock price of \$0.17 and an expected annual volatility coefficient of 80%. Volatility was determined using historical stock prices.

During the nine months ended April 30, 2020, 1,375,000 stock options were cancelled with an average exercise price of \$0.54. On cancellation of the stock options, \$390,833 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

During the nine months ended April 30, 2020, 7,800,000 stock options expired with an average exercise price of \$0.63. On expiration of the stock options, \$2,642,565 of share-based compensation included in Share-Based Payment Reserve was reallocated to Deficit.

14. REVENUE

The total revenue earned for the nine months ended April 30, 2021 includes excise sales taxes of \$819,056 (April 30, 2020 - \$693,269).

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15. GENERAL AND ADMINISTRATION EXPENSES

	For the three months ended		For the nine months ended	
	April 30	April 30	April 30	April 30
	2021	2020	2021	2020
Automobile expenses	\$ (1,416)	\$ 802	\$ 2,274	\$ 3,491
Bad debt	-	1,011	-	1,011
Bank charges and interest	76,760	83,156	247,042	228,489
Consulting fees	14,816	8,714	21,624	29,600
Director fees	25,864	18,762	75,894	31,018
Insurance	3,198	4,290	11,284	9,566
Investor relations	29,352	65,765	63,142	131,921
Legal and accounting	95,980	87,789	192,386	234,363
Office and sundry	26,916	16,723	65,129	76,282
Payroll and benefits	34,937	88,558	213,361	277,578
Property tax	7,828	1,039	23,483	22,029
Strata fees	2,052	828	6,156	7,711
Telephone	3,975	3,934	12,664	12,423
Transfer agent and filing fees	12,137	31,161	41,228	56,412
Travel	5,161	9,783	10,731	45,250
	\$ 337,560	\$ 422,315	\$ 986,398	\$ 1,167,144

16. SEGMENTED INFORMATION

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

	April 30	April 30
	2021	2020
Fair value of stock options cancelled and expired	\$ 3,033,398	\$ 966,002
Income taxes paid	\$ -	\$ -
Interest paid	\$ 212,544	\$ 192,956
Interest received	\$ 124	\$ 51

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18. COMMITMENTS

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

Year Ending	Amount
2021	\$ 44,398
2022	178,123
2023	160,671
	\$ 383,191

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 2021	April 30 2020
Director fees	\$ 71,000	\$ 30,000
Interest	-	2,767
Rent	101,400	101,400
Salaries and benefits	232,619	171,727
Share-based compensation	110,088	187,610
	\$ 515,107	\$ 493,504

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.

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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 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 April 30, 2021, the Chief Executive Officer owes \$105,637 (July 31, 2020 - \$70,651) to the Company and the Chief Financial Officer owes \$3,649 (July 31, 2020 - \$12,492).

Close family members of the Chief Executive Officer were paid salaries in the amount of \$82,619 (April 30, 2020 - \$65,060) for the nine months ended April 30, 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:

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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.

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.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**b) Market risk (continued)****(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, 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 April 30, 2021, financial instruments were converted at a rate of \$1 US dollar to \$1.2285 Canadian, \$1.4798 Euro to \$1 Canadian, and \$0.9490 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 April 30, 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.

(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, 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.

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

For the Nine Months Ended April 30, 2021 and 2020

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

During the month of May, 2021, 850,000 stock options were cancelled at an average exercise price of \$0.21.

On June 15, 2021, the Company announced that it has retained the services of Toronto-based Oak Hill Financial Inc. to assist with investor relations activities. Oak Hill Financial Inc. has been engaged for a three-month period for a total cost of \$24,000 plus HST and the Company has issued them 300,000 stock options to acquire 300,000 common shares of the Company with an expiry date of June 9, 2023 at \$0.13 per share. The options vest immediately.