



**THC BIOMED INTL LTD.**

**Condensed Interim Consolidated Financial Statements  
For the Three Months Ended October 31, 2022 and 2021  
(Expressed in Canadian Dollars)**

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**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 three months ended October 31, 2022 and 2021 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 December 29, 2022. They are signed on the Company's behalf by:

*"John Miller"*

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Director

*"Hee Jung Chun"*

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Director

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**THC BIOMED INTL LTD.****Condensed Interim Consolidated Statements of Comprehensive Income (Loss)**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>For the three months ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>October 31</b>	<b>October 31</b>
	<b>2022</b>	<b>2021</b>
Revenue (Note 15)	\$ 667,876	\$ 1,136,796
Cost of sales (Notes 6 and 7)	(391,942)	(1,069,111)
Gross profit before fair value adjustments	275,934	67,685
Realized fair value changes in biological assets included in inventory sold	(102,472)	(230,346)
Unrealized gain on changes in fair value of biological assets	7,489	874,422
Net change in fair value (Note 6)	(94,983)	644,076
Gross profit after fair value adjustments	180,951	711,761
Expenses		
Depreciation and amortization (Note 8)	212,224	219,852
General and administration (Notes 16 and 19)	259,788	356,193
Sales and marketing	25,787	7,743
Share-based compensation (Notes 14 and 19)	-	94,204
	497,799	677,992
Other income (expense) items		
Accretion expense on convertible debentures (Note 12)	(13,790)	(8,695)
Foreign exchange loss	(965)	(417)
Interest income	37	5
Other	88	344
	(14,630)	(8,763)
<b>Net and comprehensive income (loss) for the period</b>	<b>\$ (331,478)</b>	<b>\$ 25,006</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>
<b>Weighted average number of shares outstanding</b>	<b>163,938,556</b>	<b>163,838,556</b>

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

<b>As at</b>	<b>(Unaudited) October 31 2022</b>	<b>(Audited) July 31 2022</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 168,170	\$ 484,085
Amounts receivable (Note 5)	206,916	446,518
Due from related party (Note 19)	58,623	82,022
Biological assets (Note 6)	951,533	1,073,465
Inventory (Note 7)	2,213,959	1,719,075
Prepaid expenses and deposits	354,296	486,789
	3,953,497	4,291,954
<b>Non-current</b>		
Prepaid expenses and deposits	46,020	49,702
Property and equipment (Note 8)	10,549,375	10,404,710
	10,595,395	10,454,412
	\$ 14,548,892	\$14,746,366
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 9,10 and 12)	\$ 3,186,303	\$ 3,250,146
Unearned revenues	-	75,900
Current portion of mortgages payable (Note 10)	2,506,920	2,537,049
Current portion lease liabilities (Note 11)	167,649	100,458
Current portion of convertible debentures payable (Note 12)	1,364,244	881,105
	7,225,116	6,844,658
<b>Non-current</b>		
Mortgages payable (Note 10)	364,899	367,165
Lease liabilities (Note 11)	335,309	110,149
Convertible debentures payable (Note 12)	-	491,263
	700,208	968,577
	7,925,324	7,813,235
<b>Shareholders' Equity</b>		
Share capital (Note 13)	31,664,098	31,664,098
Reserves	597,239	606,958
Accumulated deficit	(25,637,769)	(25,337,925)
	6,623,568	6,933,131
	\$ 14,548,892	\$14,746,366

Description of the business (Note 1)

Subsequent events (Note 21)

## THC BIOMED INTL LTD.

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

	Number of Shares	Share Capital	Share-Based Payment Reserve	Agent Warrants Reserve	Equity Feature on Convertible Debentures Reserve	Accumulated Deficit	(Unaudited) Total Equity
Balance, July 31, 2022	168,938,556	\$ 31,664,098	\$ 520,621	\$ 23,207	\$ 63,130	\$(25,337,925)	\$ 6,933,131
Fair value of agent warrants expired	-	-	-	(6,329)	-	6,329	-
Equity feature on previous convertible debentures	-	-	-	-	(25,305)	25,305	-
Equity feature on convertible debentures	-	-	-	-	21,915	-	21,915
Net and comprehensive loss for the period	-	-	-	-	-	(331,478)	(331,478)
<b>Balance, October 31, 2022</b>	<b>168,938,556</b>	<b>\$ 31,664,098</b>	<b>\$ 520,621</b>	<b>\$ 16,878</b>	<b>\$ 59,740</b>	<b>\$(25,637,769)</b>	<b>\$ 6,623,568</b>
Balance, July 31, 2021	163,838,556	\$ 31,641,256	\$ 683,208	\$ 7,984,661	\$ 25,305	\$(30,551,021)	\$ 9,783,409
Fair value of stock options cancelled	-	-	(18,380)	-	-	18,380	-
Equity feature on previous convertible debentures	-	-	-	-	(25,305)	25,305	-
Equity feature on convertible debentures	-	-	-	-	38,936	-	38,936
Share-based compensation	-	-	94,204	-	-	-	94,204
Net and comprehensive income for the period	-	-	-	-	-	25,006	25,006
Balance, October 31, 2021	163,838,556	\$ 31,641,256	\$ 759,032	\$ 7,984,661	\$ 38,936	\$(30,482,330)	\$ 9,941,555

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**THC BIOMED INTL LTD.****Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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	<b>For the three months ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>October 31</b>	<b>October 31</b>
	<b>2022</b>	<b>2021</b>
<hr/>		
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net income (loss) for the period	\$ (331,478)	\$ 25,006
Items not affecting cash		
Depreciation and amortization	212,224	219,852
Interest expense from lease liabilities	9,045	4,004
Realized fair value changes in biological assets included in inventory sold	102,472	230,346
Share-based compensation	-	94,204
Unrealized gain on changes in fair value of biological assets	(7,489)	(874,422)
	(15,226)	(301,010)
Net change in non-cash working capital (Note 18)	(218,110)	(365,852)
	(233,336)	(666,862)
<hr/>		
<b>Financing activities</b>		
Convertible debentures issued	-	400,000
Payments on lease liabilities	(73,231)	(44,398)
Mortgage principal received	-	1,000,000
Mortgage principal repaid	(32,395)	(317,171)
Repayments on commercial operating loan	-	(14,184)
	(105,626)	1,024,247
<hr/>		
<b>Investing activities</b>		
Advances from (to) related parties	23,399	(13,053)
Acquisition of property and equipment	(352)	(78,398)
	23,047	(91,451)
<hr/>		
<b>Net increase (decrease) in cash</b>	<b>(315,915)</b>	<b>265,934</b>
<b>Cash, beginning of period</b>	<b>484,085</b>	<b>111,162</b>
<b>Cash, end of period</b>	<b>\$ 168,170</b>	<b>\$ 377,096</b>
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Supplemental cash flow information (Note 18)		

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## THC BIOMED INTL LTD.

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

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For the Three Months Ended October 31, 2022 and 2021

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#### 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 #1 – 2550 Acland Road, Kelowna, British Columbia, Canada, V1X 7L4. 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 condensed interim consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its five wholly owned subsidiaries: THC BioMed Ltd., Clone Shipper Ltd., THC BioMed Victoria Falls Ltd., THC2GO Dispensaries Ltd. (“THC2GO”), and THC BioMed Lesotho Ltd. (“THC Lesotho”).

The Company’s principal business is the production and sale of cannabis through THC BioMed Ltd. which is a small batch Licensed Producer as regulated by the *Cannabis Act* which regulates the production, distribution, and possession of cannabis for both medical and adult recreational access in Canada. Clone Shipper Ltd. owns all rights to the Clone Shipper product used to transport live plants. THC BioMed Victoria Falls Ltd. (formerly THC BioMedical Ltd.) has a license for production of cannabis for medicinal and scientific use in Zimbabwe. THC2GO and THC Lesotho are inactive.

These 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 and incurred a loss for the three months ended October 31, 2022 of \$331,478 (October 31, 2022 - \$25,006 income) and has an accumulated deficit of \$25,637,769 (July 31, 2022 - \$25,337,925).

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



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## THC BIOMED INTL LTD.

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

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For the Three Months Ended October 31, 2022 and 2021

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

These events and conditions create a material uncertainty 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 20d.

#### 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.

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, 2022, 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 December 29, 2022.

##### 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 of disposal, as explained in the significant accounting policies in Note 3 in the year end audited financial statements. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

##### c) Presentation and functional currency

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

##### d) Foreign currency transactions

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

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**2. BASIS OF PREPARATION (continued)****e) Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its five wholly-owned subsidiaries (Note 1) on a condensed interim 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. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the condensed interim consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the condensed interim consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

**(i) Critical accounting judgments**

In the preparation of these condensed interim consolidated financial statements, management has made judgments in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the condensed interim consolidated financial statements.

**(a) Impairment of non-financial assets**

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. The assessment of any impairment of assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

**(b) Convertible debentures payable**

The Company has issued convertible debentures as described in Note 13. The accounting for convertible debentures, a complex compound financial instrument, requires judgment in determining the discount rate applicable to the Company and the instrument, as well as whether or not the conversion feature portion of the instrument qualifies as equity. Should it be determined that the discount rate was not appropriate, or that the conversion feature should have been accounted for as a liability for any given convertible debenture, then the carrying value and the recognition of expenses across the life of the instrument could be materially different.

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)****(i) Critical accounting judgments (continued)****(c) Leases**

The Company applies judgment in determining whether lease contracts contain an identified asset, whether the Company has the right to control the asset and the lease term. The lease term is based on considering the facts and circumstances, both qualitative and quantitative, which can create economic incentive to exercise renewal options. The discount rate applied is based on the judgment of management as to what rate most approximately reflects the incremental borrowing rate of the Company.

**(ii) Significant accounting estimates**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

**(a) Share-based compensation**

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss.

**(b) Biological assets and inventory**

In calculating the fair value less costs to sell of biological assets and the cost of inventory, management makes a number of estimates related to inputs and variables, including the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales price, wastage, and expected yields from the marijuana plant.

**(c) Estimated useful lives, depreciation and amortization, and recoverability of property and equipment**

Depreciation and amortization of property, plant, and equipment are dependent upon estimates of useful lives which are determined through the exercise of judgment. When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs of disposal. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. The assessment of any impairment of assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**4. ADOPTION OF NEW STANDARDS**

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date later than August 1, 2022. These updates are not currently relevant to the Company or are not expected to have a material impact on the condensed interim consolidated financial statements and are therefore not discussed herein.

There were no new standards, interpretations to existing standards or amendments which became effective for the year ended July 31, 2022 which had a material impact on the condensed interim consolidated financial statements.

**5. AMOUNTS RECEIVABLE**

	<b>October 31 2022</b>	July 31 2022
Other receivable	\$ -	\$ 6,082
Trade receivables	<b>206,916</b>	440,436
	<b>\$ 206,916</b>	\$ 446,518

**6. BIOLOGICAL ASSETS**

The Company's biological assets consist of cannabis plants (mother plants and clones for growth); resin; oil; harvested marijuana flowers prior to completion of the drying, grading and testing processes; and edible concentrate.

	<b>October 31 2022</b>	July 31 2022
Carrying amount, beginning of period	\$ 1,073,465	\$ 1,259,124
Capitalized costs	<b>334,312</b>	2,628,415
Sales of biological assets	-	(1,481)
Transferred to inventory upon harvest	<b>(361,261)</b>	(1,774,196)
Net change in fair value	<b>(94,983)</b>	(1,038,397)
Carrying amount, end of period	<b>\$ 951,533</b>	\$ 1,073,465

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 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 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.

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**6. BIOLOGICAL ASSETS (continued)**

Unobservable input	Description	Sensitivity
Yield per plant – expected number of grams of finished cannabis inventory which is expected to be obtained from each harvested flowering plant.	Represents the weighted average historic yield of 19 grams per plant	A change of 5% 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.	Represents the historic number of 90 clones per plant	A change of 5% in the yield per plant would result in a significant change in fair value.
Selling price of dried cannabis and clones for sale	\$2.50 (average selling price of dried cannabis) \$20 (selling price of clones for sale)	A change of 5% in the estimated selling prices would result in a significant change in fair value.
Selling and harvesting costs of dried cannabis and clones for sale	Based on actual production costs	A change of 5% in the estimated selling and harvesting costs of dried cannabis and clones for sale would result in a significant change in fair value
Average attrition rate	Represents the weighted average number of plants culled at each stage of production	A change of 5% in the estimated attrition rate would result in a significant change in fair value

The significant inputs and assumptions used in determining the fair value of cannabis plants are as follows:

- a) yield per plant;
- b) expected yield by strain of plant of approximately 19 (July 30, 2022 – 54) 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 \$2.50 per gram (July 31, 2022 - \$2.50 per gram); and
- f) average selling costs of \$1.70 per gram (July 31, 2022 - \$1.70 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.

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**6. BIOLOGICAL ASSETS (continued)**

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.

During the three months ended October 31, 2022, the Company's biological assets produced 54 (October 31, 2021 – 534) kilograms of dried cannabis. At October 31, 2022, the weighted average stage of growth for the biological assets was 60% (October 31, 2022 - 52%).

The following table summarizes the significant inputs and assumptions used in the fair value model, their weighted average range of value and sensitivity analysis:

Significant inputs and assumptions	Input Values		An increase or decrease of 10% applied to the unobservable input would result in a change to the fair value by approximately	
	October 31 2022	July 31 2022	October 31 2022	July 31 2022
Average selling price per gram	\$ 2.50	\$ 2.50	\$ 152,178	\$ 137,145
Average selling cost per gram	\$ 1.70	\$ 1.70	\$ 103,481	\$ 93,259
Average yield per plant	19 grams	54 grams	\$ 13,595	\$ 303,565

**7. INVENTORY**

Inventory is comprised of the following:

	October 31 2022	July 31 2022
Finished goods	\$ 281,374	\$ 204,611
Supplies and consumables	305,696	250,765
Unpackaged cannabis and edibles	1,626,889	1,263,699
Carrying amount - inventory	\$ 2,213,959	\$ 1,719,075

Inventory expensed during the three months ended October 31, 2022 was \$268,984 (October 31, 2021 - \$445,411).

## THC BIOMED INTL LTD.

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

For the Three Months Ended October 31, 2022 and 2021

#### 8. PROPERTY AND EQUIPMENT

	July 31			July 31			October 31
	2021	Additions	Dispositions	2022	Additions	Dispositions	2022
<b>Cost</b>							
Automobile equipment	\$ 33,600	\$ -	\$ -	\$ 33,600	\$ -	\$ -	\$ 33,600
Buildings	7,028,687	49,178	(1,230,156)	5,847,709	-	-	5,847,709
Computer equipment	83,652	18,424	-	102,076	-	-	102,076
Equipment	2,299,390	82,105	-	2,381,495	352	-	2,381,847
Furniture and fixtures	98,828	2,777	(37,399)	64,206	-	-	64,206
Land	4,366,584	-	(1,068,750)	3,297,834	-	-	3,297,834
Leasehold improvements	1,594,286	7,822	-	1,602,108	-	-	1,602,108
Right of use property	482,708	228,824	-	711,532	356,537	373,781	694,288
Software	81,002	-	-	81,002	-	-	81,002
	\$ 16,068,737	\$ 389,130	\$ (2,336,305)	\$ 14,121,562	\$ 356,889	\$ 373,781	\$ 14,104,670
<b>Accumulated Depreciation/Amortization</b>							
	July 31	Depreciation/	Depreciation	July 31	Depreciation/	Depreciation	October 31
	2021	Amortization	Reversed	2022	Amortization	Reversed	2022
Automobile equipment	\$ 15,120	\$ 5,040	\$ -	\$ 20,160	\$ 1,260	\$ -	\$ 21,420
Buildings	763,738	232,465	(137,157)	859,046	49,887	-	908,933
Computer equipment	78,011	8,169	-	86,180	2,186	-	88,366
Equipment	950,890	277,911	-	1,228,801	57,643	-	1,286,444
Furniture and fixtures	50,977	6,020	(18,259)	38,738	1,273	-	40,011
Leasehold improvements	711,603	177,319	-	888,922	35,659	-	924,581
Right of use property	292,390	221,613	-	514,003	64,316	373,781	204,538
Software	81,002	-	-	81,002	-	-	81,002
	\$ 2,943,731	\$ 928,537	\$ (155,416)	\$ 3,716,852	\$ 212,224	\$ 373,781	\$ 3,555,295
<b>Carrying Amounts</b>	\$ 13,125,006			\$ 10,404,710			\$ 10,549,375

On April 12, 2022, the Company sold its head office location on St. Paul Street, Kelowna, British Columbia to an arm's length party for gross proceeds of \$2,735,000 and recognized a gain on sale of \$455,381.

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

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**For the Three Months Ended October 31, 2022 and 2021**

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>October 31 2022</b>	July 31 2022
Accrued liabilities	<b>\$ 155,857</b>	\$ 215,870
Excise taxes payable	<b>1,756,421</b>	1,654,005
Goods and services tax payable	<b>323,462</b>	304,864
Trade payables	<b>950,562</b>	1,075,407
	<b>\$ 3,186,302</b>	\$ 3,250,146

**10. MORTGAGES PAYABLE**

	<b>October 31 2022</b>	July 31 2022
Mortgages payable at beginning of the year	<b>\$ 2,904,214</b>	\$ 3,088,246
Mortgages added during the year	-	1,000,000
Less principal payments	<b>(32,395)</b>	(1,184,032)
Mortgages payable at the end of the year	<b>2,871,819</b>	2,904,214
Less current portion	<b>(2,506,920)</b>	(2,537,049)
Non-current portion	<b>\$ 364,899</b>	\$ 367,165

The Company has a mortgage payable on property on Acland Road in Kelowna, British Columbia with a 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 December 1, 2022. At October 31, 2022, the balance payable is \$247,922 (July 31, 2022 - \$251,229) with accrued interest of \$2,066 (July 31, 2022 - \$2,093) included in accounts payable and accrued liabilities.

The Company has a mortgage payable on property on Acland Road in Kelowna, British Columbia with a principal amount of \$400,000 with interest at 10% per annum with monthly payments of \$3,807 due on the 1st day of each month starting August 1, 2019 with the mortgage due on July 1, 2024. At October 31, 2022, the balance payable is \$373,633 (July 31, 2022 - \$367,164) with accrued interest of \$3,114 (July 31, 2022 - \$3,131) included in accounts payable and accrued liabilities.



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## THC BIOMED INTL LTD.

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

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#### For the Three Months Ended October 31, 2022 and 2021

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#### 10. MORTGAGES PAYABLE (continued)

The Company had a mortgage payable on property on Acland Road in Kelowna, British Columbia with a 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 October 31, 2022, the balance payable is \$416,141 (July 31, 2022 - \$419,786) with accrued interest of \$1,593 (July 31, 2022 - \$1,607) included in accounts payable and accrued liabilities.

The Company had a mortgage payable on property on St. Paul Street in Kelowna, British Columbia with a principal amount of \$400,000 with interest at the Credit Union's Prime Lending Rate plus 1.5% with monthly payments of \$2,760 due on the 1st day of each month starting November 1, 2019 with the mortgage due on November 1, 2021. The mortgage had been extended to November 1, 2022 under the same terms. At October 31, 2022, the balance payable is \$Nil (July 31, 2022 - \$Nil) and the mortgage closed upon the sale of the building on April 12, 2022.

On February 28, 2020, the Company secured a \$1,000,000 mortgage for business operating funds using the facility on Acland Road, 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 mortgage is payable on demand and subject to an annual review. At October 31, 2022, the balance payable is \$870,476 (July 31, 2022 - \$884,735) with accrued interest of \$2,386 (July 31, 2022 - \$2,426) included in accounts payable and accrued liabilities.

On December 29, 2020, the Company secured a \$410,000 mortgage for business operating funds using the building on St. Paul Street, in Kelowna, British Columbia as collateral. The interest rate was 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 October 31, 2022, the balance payable is \$Nil (July 31, 2022 - \$Nil) and the mortgage closed upon the sale of the building upon the sale of the building on April 12, 2022.

On October 1, 2021, the Company secured a \$1,000,000 mortgage for business operating funds using the property on Acland Road in Kelowna, British Columbia as collateral. The interest rate is 3.25% with monthly payments of \$5,675 due on the 1st day of each month starting November 1, 2021 with the mortgage due on November 1, 2024. At October 31, 2022, the balance payable is \$963,647 (July 31, 2022 - \$972,781) with accrued interest of \$2,6442 (July 31, 2022 - \$2,667) included in accounts payable and accrued liabilities.

Except as otherwise noted, mortgages are secured against the property to which they relate.

#### 11. LEASE LIABILITIES

The Company has leases for premises for office space and biological asset growing spaces. The following table presents the lease liabilities of the Company:

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(Unaudited)**

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**For the Three Months Ended October 31, 2022 and 2021**

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**11. LEASE LIABILITIES** (continued)

	<b>October 31 2022</b>	July 31 2022
Operating lease liabilities recognized at beginning of the period	<b>\$ 210,607</b>	\$ 205,766
Lease liabilities recognized during the period	<b>356,537</b>	228,824
Payments of lease liabilities	<b>(73,231)</b>	(248,343)
Interest expense on lease liabilities	<b>9,045</b>	24,360
Lease liabilities balance at end of the period	<b>\$ 502,958</b>	\$ 210,607

The following table presents the current and non-current portions of the lease liabilities:

	<b>October 31 2022</b>	July 31 2022
Lease liabilities balance at end of the period	<b>\$ 502,958</b>	\$ 210,607
Current portion	<b>(167,649)</b>	(100,458)
Long term portion	<b>\$ 335,309</b>	\$ 110,149

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

	<b>October 31 2022</b>	July 31 2022
Less than one year	<b>\$ 204,161</b>	\$ 109,442
One to five years	<b>370,056</b>	125,798
Total undiscounted lease liabilities	<b>\$ 574,217</b>	\$ 235,240

At October 31, 2022, the lease liabilities totaled \$502,958 (July 31, 2022 - \$210,607). Three of the leases expired on August 31, 2022 which were renewed for the same terms; one expired on September 30, 2022 which was renewed for the same terms; one expires on January 14, 2023; one expires on February 28, 2023; and one expires on October 31, 2026.

**12. 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 have terms of one year each, with options to extend the term by an additional 12 months, at the option of the Company by paying an extension fee equal to 1% of the principal amount for the extension.

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## THC BIOMED INTL LTD.

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

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#### For the Three Months Ended October 31, 2022 and 2021

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#### 12. CONVERTIBLE DEBENTURES PAYABLE (continued)

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. The debenture was extended for another year on the same terms. During the three months ended October 31, 2022, the Company paid \$15,197 (July 31, 2022 - \$43,166) of accrued interest.

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 debenture was extended for another year on the same terms. During the three months ended October 31, 2022, the Company repaid \$Nil (July 31, 2022 - \$150,000) of principal and paid \$1,752 (July 31, 2022 - \$10,324) of accrued interest.

These two debentures had an original maturity date of August 16, 2020 and October 23, 2020. At maturity, the Company extended the debentures which now mature on August 16, 2023 and October 23, 2023, respectively, under the same terms. Pursuant to the extensions for the two debentures, the carrying values of the debentures and the equity features were derecognized and the fair values of the renewed convertible debentures were recognized. The convertible debentures were fair valued using a discount rate of 12%. The resulting calculations allocated \$627,013 (July 31, 2022 - \$676,096) as the fair value of the debt portion of the convertible debentures with a residual value of \$21,915 (July 31, 2022 - \$22,807) allocated as the value of the equity conversion features.

On August 10, 2021, the Company closed a non-brokered private placement of convertible debentures for gross proceeds of \$500,000 (the "Debenture") from a company owned by the Chief Executive Officer and Chief Financial Officer. The term of the Debenture is 24 months (two years) and bears interest at 10% per annum calculated on an annual basis and payable monthly. The Debenture is convertible into common shares of the Company at a price of \$0.10 per share at any time at the election of the company holding the Debenture. In the event that the Company's common share price on a Canadian stock exchange is \$0.60 or greater per common share for a period of ten or more consecutive trading days, the Company can force the conversion of the entire principal amount plus interest accrued into common shares of the Company at \$0.10 per share. During the three months ended October 31, 2022, the Company paid \$12,660 (July 31, 2022 - \$45,753) of accrued interest.

On January 7, 2022, the Company closed a non-brokered private placement of convertible debentures for gross proceeds of \$250,000 (the "Debenture") from a company owned by the Chief Executive Officer and Chief Financial Officer. The term of the Debenture is 12 months (one year) and bears interest at 12% per annum calculated on an annual basis and payable monthly. The Debenture is convertible into common shares of the Company at a price of \$0.08 per share or 3,125,000 common shares of the Company at any time at the election of the company holding the Debenture. In the event that the Company's common share price on a Canadian stock exchange is \$0.60 or greater per common share for a period of ten or more consecutive trading days, the Company can force the conversion of the entire principal amount plus interest accrued into common shares of the Company at \$0.08 per share. During the three months ended October 31, 2022, the Company paid \$7,596 (July 31, 2022 - \$14,959) of accrued interest.

## THC BIOMED INTL LTD.

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#### For the Three Months Ended October 31, 2022 and 2021

#### 12. CONVERTIBLE DEBENTURES PAYABLE (continued)

During the three months ended October 31, 2022, \$33,752 (July 31, 2022 - \$123,393) in interest was accrued on the convertible debentures and \$37,305 (July 31, 2022 - \$114,202) was paid. At October 31, 2022, accrued interest payable of \$22,356 (July 31, 2022 - \$25,809) was included in accounts payable and accrued liabilities.

The continuity of the convertible debentures issued is as follows:

	Liability	Equity Portion	Total
Balance, July 31, 2021	\$ 791,552	\$ 25,305	\$ 816,857
Convertible debentures issued during the current period	711,021	37,825	748,846
Decognize carrying values of original debentures and equity features	(694,536)	(22,807)	(717,343)
Fair value of amended convertible debentures and equity features	676,096	22,807	698,903
Accretion expense	38,235	-	38,235
Repayment of principal	(150,000)	-	(150,000)
Balance, July 31, 2022	1,372,368	63,130	1,435,498
Decognize carrying values of original debentures and equity features	(644,580)	(25,305)	(669,885)
Fair value of amended convertible debentures and equity features	627,013	21,915	648,928
Accretion expense	9,443	-	9,443
<b>Balance, October 31, 2022</b>	<b>1,364,244</b>	<b>59,740</b>	<b>1,423,984</b>

#### 13. SHARE CAPITAL

##### a) Common shares

###### Authorized:

Unlimited number of common shares without par value

###### Issued:

	Issued Number	Amount
Balance, July 31, 2021	163,838,556	\$ 31,641,256
Stock options exercised	100,000	15,000
Fair value of stock options exercised	-	7,842
<b>Balance, July 31, 2022 and October 31, 2022</b>	<b>163,938,556</b>	<b>\$ 31,664,098</b>

On December 10, 2021, a total of 100,000 stock options were exercised at \$0.15 per share by the Chief Executive Officer and the Chief Financial Officer for gross proceeds of \$15,000. The average market price of the Company's common shares over the exercise period was \$0.26 per share.

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

At October 31, 2022, 690 (July 31, 2022 – 690) common shares are held in escrow.

**c) Warrants outstanding**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2021	32,014,880	\$ 0.5290
Warrants expired	(27,014,880)	0.5991
Balance, July 31, 2022	5,000,000	0.1500
Warrants expired	(1,363,637)	0.1500
<b>Balance, October 31, 2022</b>	<b>3,636,363</b>	<b>\$ 0.1500</b>

<b>Expiry Date</b>	<b>Remaining Life (Years)</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>
November 12, 2022	0.03	3,636,363	\$ 0.1500
		3,636,363	\$ 0.1500

**d) Agent warrants outstanding**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2021	5,735,000	\$ 1.14
Agent warrants expired	(5,385,000)	1.20
Balance, July 31, 2022	350,000	0.15
Agent warrants expired	(95,455)	0.15
<b>Balance, October 31, 2022</b>	<b>254,545</b>	<b>\$ 0.15</b>

<b>Expiry Date</b>	<b>Remaining Life (Years)</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>
November 12, 2022	0.03	254,545	0.15
		254,545	\$ 0.15

## THC BIOMED INTL LTD.

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

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#### 14. SHARE-BASED COMPENSATION

The Company is authorized to grant options to directors, officers, employees, and consultants to acquire common shares under the 2015 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's common shares issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately, subject to vesting terms which may be imposed at the discretion of the Directors. Stock options granted under the Plan are to be settled with the issuance of equity instruments.

The following summarizes the stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2021	9,875,000	\$ 0.200
Options exercised	(100,000)	0.150
Options cancelled	(2,300,000)	0.209
Options expired	(1,225,000)	0.150
<b>Balance, July 31, 2022 and October 31, 2022</b>	<b>6,250,000</b>	<b>\$ 0.207</b>

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
February 12, 2021	February 12, 2023	0.28	5,450,000	5,450,000	0.215
March 17, 2021	March 17, 2023	0.38	50,000	500,000	0.165
June 14, 2021	June 14, 2023	0.62	300,000	300,000	0.130
			5,800,000	6,250,000	\$ 0.207

On February 12, 2021, the Company granted 8,550,000 stock options to certain employees 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. During the three months ended October 31, 2022, the Company recognized \$Nil (July 31, 2022 - \$137,440) in share-based compensation.

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## THC BIOMED INTL LTD.

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

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#### For the Three Months Ended October 31, 2022 and 2021

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

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 options vest immediately upon grant with the balance vested once certain milestones are achieved. Options terminate immediately upon cessation of services to the Company. On initial recognition of the share-based compensation associated with the stock options, the Company estimated the likelihood of achieving the milestones as being unlikely. This estimate impacted the estimated fair value of the options on the grant date. The 50,000 options which vested immediately upon grant 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 three months ended October 31, 2022, the Company recognized \$Nil (July 31, 2022 - \$Nil) in share-based compensation.

On June 14, 2021, the Company granted 300,000 stock options to a certain consultant to acquire 300,000 common shares of the Company with an expiry date of June 14, 2023 at \$0.13 per share. The options vest immediately. The options have a total fair value, calculated using the Black-Scholes option pricing model, of \$15,713 or \$0.05 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.32%, an expected dividend rate of 0.00%, stock price of \$0.125 and an expected annual volatility coefficient of 80%. Volatility was determined using historical stock prices. During the three months ended October 31, 2022, the Company recognized \$Nil (July 31, 2022 - \$Nil) in share-based compensation.

During the year ended July 31, 2022, 2,300,000 stock options were cancelled with an average exercise price of \$0.20. On cancellation of the stock options, \$199,587 of share-based compensation included in Share-Based Payment Reserve was reallocated to Accumulated Deficit.

During the year ended July 31, 2022, 1,225,000 stock options expired with an exercise price of \$0.15. On expiration of the stock options, \$92,598 of share-based compensation included in Share-Based Payment Reserve was reallocated to Accumulated Deficit.

#### 15. REVENUE

The total revenue earned for the three months ended October 31, 2022 includes excise taxes of \$102,427 (October 31, 2021 - \$311,595).

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**For the Three Months Ended October 31, 2022 and 2021**

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**16. GENERAL AND ADMINISTRATION EXPENSES**

	<b>October 31 2022</b>	October 31 2021
Automobile expenses	\$ 337	\$ 1,385
Bank charges and interest	97,250	111,932
Consulting fees	-	2,840
Director fees	12,718	25,585
Dues and licenses	3,682	-
Insurance	-	1,392
Investor relations	-	21,570
Legal and accounting	29,740	63,441
Office and sundry	15,348	18,276
Payroll and benefits	59,639	79,214
Property tax	-	7,606
Telephone	3,270	3,799
Transfer agent and filing fees	12,436	12,776
Travel	25,368	6,377
	<b>\$ 259,788</b>	<b>\$ 356,193</b>

**17. SEGMENTED INFORMATION**

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

**18. SUPPLEMENTAL CASH FLOW INFORMATION**

The changes in non-cash working capital are as follows:

	<b>October 31 2022</b>	October 31 2021
Amounts receivable	\$ 163,702	\$ (13,065)
Biological assets	26,949	(197,407)
Inventory	(494,884)	137,091
Prepaid expenses and deposits	136,175	1,178
Accounts payable and accrued liabilities	(50,052)	(293,649)
	<b>\$ (218,110)</b>	<b>\$ (365,852)</b>



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**18. SUPPLEMENTAL CASH FLOW INFORMATION (continued)**

The reconciliation of liabilities arising from financing activities are as follows:

	July 31 2022	Cash Flows	Non-cash changes		October 31 2022
			Accrued Interest	Acquisitions	
Mortgages payable	\$ 2,904,214	\$ (32,395)	\$ -	\$ -	\$ 2,871,819
Lease liabilities	210,607	(64,186)	-	356,537	502,958
Convertible debentures payable	1,372,368	-	(8,124)	-	1,364,244
<b>Total liabilities from financing activities</b>	<b>\$ 4,487,189</b>	<b>\$ (96,581)</b>	<b>\$ (8,124)</b>	<b>\$ 356,537</b>	<b>\$ 4,739,021</b>

	July 31 2021	Cash Flows	Non-cash changes		October 31 2021
			Accrued Interest	Acquisitions	
Commercial operating loan	\$ 486,004	\$ (14,184)	\$ -	\$ -	\$ 471,820
Mortgages payable	3,088,246	682,829	-	-	3,771,075
Lease liabilities	205,766	(40,394)	-	-	165,372
Convertible debentures payable	791,552	400,000	8,695	-	1,200,247
<b>Total liabilities from financing activities</b>	<b>\$ 4,571,568</b>	<b>\$ 1,028,251</b>	<b>\$ 8,695</b>	<b>\$ -</b>	<b>\$ 5,608,514</b>

Other supplemental cash flow information is as follows:

	October 31 2022	October 31 2021
Fair value of stock options cancelled and expired	\$ -	\$ 18,380
Fair value of agent warrants expired	\$ 6,329	\$ -
Income taxes paid	\$ -	\$ -
Interest paid	\$ 81,174	\$ 103,585
Interest received	\$ 37	\$ 5

**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:

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

	<b>October 31 2022</b>	October 31 2021
Director fees	<b>\$ 12,000</b>	\$ 24,000
Interest	<b>20,256</b>	11,233
Lease liability payments	<b>33,800</b>	33,800
Salaries and benefits	<b>50,000</b>	50,000
Share-based compensation	-	16,549
	<b>\$ 116,056</b>	\$ 135,582

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 ending August 31, 2025. 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 ending August 31, 2025. 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 ending September 30, 2025. 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 ending August 31, 2025. A security deposit of \$2,600 was also paid.

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## THC BIOMED INTL LTD.

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

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#### For the Three Months Ended October 31, 2022 and 2021

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

On August 10, 2021, the Company closed a non-brokered private placement of convertible debentures for gross proceeds of \$500,000 (the "Debenture") from a company owned by the Chief Executive Officer and Chief Financial Officer. The term of the Debenture is 24 months (two years) and bears interest at 10% per annum calculated on an annual basis and payable monthly. The Debenture is convertible into common shares of the Company at a price of \$0.10 per share at any time at the election of the company holding the Debenture. In the event that the Company's common share price on a Canadian stock exchange is \$0.60 or greater per common share for a period of ten or more consecutive trading days, the Company can force the conversion of the entire principal amount plus interest accrued into common shares of the Company at \$0.10 per share. No principal payments were made during the three months ended October 31, 2022 (July 31, 2022 - \$Nil).

On January 7, 2022, the Company closed a non-brokered private placement of convertible debentures for gross proceeds of \$250,000 (the "Debenture") from a company owned by the Chief Executive Officer and Chief Financial Officer. The term of the Debenture is 12 months (one year) and bears interest at 12% per annum calculated on an annual basis and payable monthly. The Debenture is convertible into common shares of the Company at a price of \$0.08 per share or 3,125,000 common shares of the Company at any time at the election of the company holding the Debenture. In the event that the Company's common share price on a Canadian stock exchange is \$0.60 or greater per common share for a period of ten or more consecutive trading days, the Company can force the conversion of the entire principal amount plus interest accrued into common shares of the Company at \$0.08 per share. No principal payments were made during the three months ended October 31, 2022 (July 31, 2022 - \$Nil).

At October 31, 2022, the Chief Executive Officer owes \$58,623 (July 31, 2022 - \$82,022) to the Company. The amount is unsecured, without interest, and has no stated terms of repayment.

Close family members of the Chief Executive Officer were paid salaries in the amount of \$26,767 (October 31, 2021 - \$29,842) for the three months ended October 31, 2022 and stock options with share-based compensation totaling \$Nil (October 31, 2021 - \$8,275).

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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## THC BIOMED INTL LTD.

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

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For the Three Months Ended October 31, 2022 and 2021

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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 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 (Note 6). There were no transfers between levels of the fair value hierarchy.

The convertible debentures approximate their fair value due to the application at issuance of a discount rate of 12%, which approximates a market rate of interest.

The carrying values of cash, other and trade receivables, amounts due from related party, accounts payable and accrued liabilities, and mortgages payable all approximate their fair values due either to 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 or 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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.

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)****(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 dates. 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's exposure and approach to managing interest rate risk has not changed materially from that of the prior year.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

At October 31, 2022, the Company is exposed to foreign currency risk with respect to its US denominated bank account and accounts payable, and Euro denominated accounts payable. At October 31, 2022, approximately \$Nil or US\$Nil (July 31, 2022 - \$68,859 or US\$53,695) of the Company's cash was in US Dollars and \$21,549 (US\$15,788) (July 31, 2022 - \$26,040 or US\$20,306) was in accounts payable and accrued liabilities. A 10% change in the US foreign exchange rate would result in a change of \$2,154 (July 31, 2022 - \$4,280) to the unrealized gain or loss. The Company has approximately \$3,526 (Euro 2,611) (July 31, 2022 - \$3,526 or Euro 2,697) in accounts payable and accrued liabilities. A 10% change in the Euro foreign exchange rate would result in a change of \$352 (July 31, 2022 - \$352) to the unrealized gain or loss. T

At October 31, 2022, financial instruments were converted at a rate of US\$1.3649 to \$1 Canadian; and 1.3502 Euro to \$1 Canadian.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's exposure and approach to managing foreign currency risk has not changed materially from that of the prior year.

**(iii) 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. The Company's exposure and approach to managing price risk has not changed from that of the prior year.

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**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****c) 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 other and trade receivables. 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 expected credit loss model and no material difference was noted. At October 31 2022, 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. The Company's exposure and approach to managing credit risk has not changed materially from that of the prior year.

**d) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate cash balances when possible.

The Company's expected source of cash flow in the upcoming year will be through sales and debt or equity financing. Cash on hand at October 31, 2022 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. The Company's exposure and approach to managing liquidity risk has not changed materially from that of the prior year.

The following table presents a maturity analysis of the contractual undiscounted cash flows from financial liabilities:

	<b>Total</b>	<1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 years	Over 3 Years to 4 Years
Accounts payable and accrued liabilities	<b>\$ 3,186,303</b>	\$ 3,186,303	\$ -	\$ -	\$ -
Mortgages payable	<b>2,871,819</b>	2,506,920	364,899	-	-
Lease liabilities	<b>502,958</b>	167,649	150,430	147,832	37,047
Convertible debentures payable	<b>1,364,244</b>	1,364,244	-	-	-
<b>Total undiscounted financial liabilities</b>	<b>\$ 7,925,324</b>	\$ 7,225,116	\$ 515,329	\$ 147,832	\$ 37,047

**e) 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 to managing capital remains unchanged from last year.

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**THC BIOMED INTL LTD.****Notes to the Condensed Interim Consolidated Financial Statements  
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**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****e) Capital risk management (continued)**

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, options, 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.

At October 31, 2022, total managed capital was \$6,623,568 (July 31, 2022 - \$6,933,131).

**21. SUBSEQUENT EVENTS**

On November 9, 2022, 150,000 stock options were cancelled with an exercise price of \$0.215.

On November 12, 2022, 3,636,363 warrants and 254,545 agent warrants expired with an exercise price of \$0.15.

In November, the Company acquired a 40% share in an Asian company that is licensed to grow and sell medical cannabis in that country. THC will bring its intellectual property and fund the construction of the grow facility as well as being the financier for running the business. THC has dispatched cultivation experts who will assist in the construction design and management of the facility.

In November, the Company completed construction of the grow facility in Asia.

In December, the Company began growing cannabis in its newly constructed facility in Asia.