THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2023 and 2022

(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 six months ended January 31, 2023 and 2022 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 April 3, 2023. They are signed on the Company's behalf by:

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2023	(Unaudited) January 31 2022	**(Unaudited) January 31 2023**	(Unaudited) January 31 2022
Revenue (Note 16)	**$ 817,096**	$ 606,826	**$ 1,484,972**	$ 1,743,622
Cost of sales (Notes 6 and 7)	**(884,854)**	(436,672)	**(1,276,796)**	(1,505,783)
Gross profit (loss) before fair value adjustments	**(67,758)**	170,154	**208,176**	237,839
Realized fair value changes in biological assets included in inventory sold	**(110,199)**	(69,762)	**(212,671)**	(300,108)
Unrealized loss on changes in fair value of biological assets	**(195,674)**	(1,042,459)	**(188,185)**	(168,037)
Net change in fair value (Note 6)	**(305,873)**	(1,112,221)	**(400,856)**	(468,145)
Gross profit loss after fair value adjustments	**(373,631)**	(942,067)	**(192,680)**	(230,306)
Expenses				
Depreciation and amortization (Note 8)	**213,256**	234,983	**425,480**	454,835
General and administration (Notes 17 and 20)	**363,238**	348,730	**623,026**	704,923
Sales and marketing	**28,397**	14,909	**54,184**	22,652
Share-based compensation (Notes 15 and 20)	**-**	-	**-**	94,204
	604,891	598,622	**1,102,690**	1,276,614
Other income (expense) items				
Accretion expense on convertible debentures (Note 13)	**(13,544)**	(7,719)	**(27,334)**	(16,414)
Foreign exchange gain (loss)	**286**	1,060	**(679)**	643
Interest income	**68**	7	**105**	12
Loss on sale of asset	**(365)**	-	**(365)**	-
Other	**66**	325	**154**	669
	(13,489)	(6,327)	**(28,119)**	(15,090)
Net and comprehensive loss for the period	**$ (992,011)**	$ (1,547,016)	**$ (1,323,489)**	$ (1,522,010)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**163,938,556**	163,895,078	**163,938,556**	163,866,817

THC BIOMED INTL LTD.

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

As at	(Unaudited) January 31 2023	(Audited) July 31 2022
Assets		
Current		
Cash	**$ 94,378**	$ 484,085
Amounts receivable (Note 5)	**447,252**	446,518
Due from related party	**-**	82,022
Biological assets (Note 6)	**571,126**	1,073,465
Inventory (Note 7)	**2,166,825**	1,719,075
Prepaid expenses and deposits	**372,918**	486,789
	3,652,499	4,291,954
Non-current		
Prepaid expenses and deposits	**42,338**	49,702
Property and equipment (Note 8)	**10,495,770**	10,404,710
Investment in affiliate (Note 9)	**64,000**	-
	10,602,108	10,454,412
	$ 14,254,607	$14,746,366
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 10,11 and 13)	**$ 3,750,541**	$ 3,250,146
Unearned revenues	**-**	75,900
Current portion of mortgages payable (Note 11)	**2,245,827**	2,537,049
Current portion lease liabilities (Note 12)	**172,878**	100,458
Current portion of convertible debentures payable (Note 13)	**1,377,787**	881,105
Due to related parties (Note 20)	**119,237**	-
	7,666,270	6,844,658
Non-current		
Mortgages payable (Note 11)	**593,340**	367,165
Lease liabilities (Note 12)	**360,761**	110,149
Convertible debentures payable (Note 13)	**-**	491,263
	954,101	968,577
	8,620,371	7,813,235
Shareholders' Equity		
Share capital (Note 14)	**31,664,098**	31,664,098
Reserves	**569,244**	606,958
Accumulated deficit	**(26,599,106)**	(25,337,925)
	5,634,236	6,933,131
	$ 14,254,607	$14,746,366

Description of the business (Note 1)
Subsequent events (Note 22)

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 on stock options cancelled	-	-	(13,796)			13,796	-
Fair value of agent warrants expired	-	-	-	(23,207)	-	23,207	-
Equity feature on previous convertible debentures	-	-	-	-	(25,305)	25,305	-
Equity feature on convertible debentures	-	-	-	-	24,594	-	24,594
Net and comprehensive loss for the period	-	-	-	-	-	(1,323,489)	(1,323,489)
Balance, January 31, 2023	**168,938,556**	**$ 31,664,098**	**$ 506,825**	**$ -**	**$ 62,419**	**$(26,599,106)**	**$ 5,634,236**
Balance, July 31, 2021	163,838,556	$ 31,641,256	$ 683,208	$ 7,984,661	$ 25,305	$(30,551,021)	$ 9,783,409
Stock options exercised	100,000	15,000	-	-	-	-	15,000
Fair value of stock options exercised	-	7,842	(7,842)	-	-	-	-
Fair value of stock options cancelled	-	-	(77,458)	-	-	77,458	-
Fair value of stock options expired	-	-	(87,291)	-	-	87,291	-
Equity feature on previous convertible debentures	-	-	-	-	(25,305)	25,305	-
Equity feature on convertible debentures	-	-	-	-	63,130	-	63,130
Share-based compensation	-	-	94,204	-	-	-	94,204
Net and comprehensive loss for the period	-	-	-	-	-	(1,522,010)	(1,522,010)
Balance, January 31, 2022	163,938,556	$ 31,664,098	$ 604,821	$ 7,984,661	$ 63,130	$(31,882,977)	$ 8,433,733

THC BIOMED INTL LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2023	(Unaudited) January 31 2022	**(Unaudited) January 31 2023**	(Unaudited) January 31 2022
Cash provided by (used for)				
Operating activities				
Net income (loss) for the period	**$ (992,011)**	$ (1,547,016)	**$ (1,323,489)**	$ (1,522,010)
Items not affecting cash				
Depreciation and amortization	**213,256**	234,983	**425,480**	454,835
Interest expense from lease liabilities	**11,732**	6,759	**20,777**	11,265
Loss on disposition of equipment	**365**	-	**365**	-
Realized fair value changes in biological assets included in inventory sold	**110,199**	69,762	**212,671**	300,108
Share-based compensation	**-**	-	**-**	94,204
Unrealized gain on changes in fair value of biological assets	**195,674**	1,042,459	**188,185**	168,037
	(460,785)	(193,053)	**(476,011)**	(493,561)
Net change in non-cash working capital (Note 19)	**423,453**	50,361	**228,742**	(410,122)
	(37,332)	(142,692)	**(247,269)**	(903,683)
Financing activities				
Advances from related parties	**201,259**	-	**201,259**	-
Convertible debentures issued	**-**	250,000	**-**	750,000
Issuance of shares for cash, net of share issuance costs	**-**	15,000	**-**	15,000
Mortgage principal received	**-**	-	**-**	1,000,000
Mortgage principal repaid	**(32,652)**	(42,666)	**(65,047)**	(359,837)
Payments on lease liabilities	**(73,253)**	(40,385)	**(146,484)**	(113,616)
Commercial operating loan principal repaid	**-**	(11,481)	**-**	(2,703)
	95,354	170,468	**(10,272)**	1,288,844
Investing activities				
Acquisition of property and equipment	**(71,138)**	(284,686)	**(71,490)**	(363,084)
Proceeds from disposition of equipment	**3,324**	-	**3,324**	-
Advances to (from) related parties	**-**	4,842	**-**	(8,211)
Investment in affiliate	**(64,000)**	-	**(64,000)**	-
	(131,814)	(279,844)	**(132,166)**	(371,295)
Net increase (decrease) in cash	**(73,792)**	(252,068)	**(389,707)**	13,866
Cash, beginning of period	**168,170**	377,096	**484,085**	111,162
Cash, end of period	**$ 94,378**	$ 125,028	**$ 94,378**	$ 125,028

Supplemental cash flow information (Note 19)

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. On November 23, 2022, the Company acquired 40% of THC BioMed (Thailand) Co. Ltd. which will undertake wholesale and retail medical sales of cannabis in Thailand.

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 six months ended January 31, 2023 of $1,323,489 (January 31, 2022 - $1,522,010) and has an accumulated deficit of $26,599,106 (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.

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 21d.

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 April 3, 2023.

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.

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.

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.

(Expressed in Canadian Dollars)

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

	January 31 2023	July 31 2022
Other receivable	**$ -**	$ 6,082
Trade receivables	**447,252**	440,436
	$ 447,252	$ 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.

	January 31 2023	July 31 2022
Carrying amount, beginning of period	**$ 1,073,465**	$ 1,259,124
Capitalized costs	**948,946**	2,628,415
Sales of biological assets	**-**	(1,481)
Transferred to inventory upon harvest	**(1,050,429)**	(1,774,196)
Net change in fair value	**(400,856)**	(1,038,397)
Carrying amount, end of period	**$ 571,126**	$ 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.

(Expressed in Canadian Dollars)

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 34 grams per plant	A change of 10% 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 10% in the yield per plant would result in a significant change in fair value.
Selling price of dried cannabis and clones for sale	\$2.30 (average selling price of dried cannabis) \$20 (selling price of clones for sale)	A change of 10% 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 10% 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 10% 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 34 (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 $2.30 per gram (July 31, 2022 - $2.50 per gram); and
f) average selling costs of $2.41 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.

(Expressed in Canadian Dollars)

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 six months ended January 31, 2023, the Company's biological assets produced 238 (January 31, 2022 – 571) kilograms of dried cannabis. At January 31, 2023, the weighted average stage of growth for the biological assets was 86% (January 31, 2022 - 46%).

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	
	January 31 2023	July 31 2022	**January 31 2023**	July 31 2022
Average selling price per gram	**$ 2.30**	$ 2.50	**$ 143,210**	$ 137,145
Average selling cost per gram	**$ 2.41**	$ 1.70	**$ 105,851**	$ 93,259
Average yield per plant	**34 grams**	54 grams	**$ 54,698**	$ 303,565

7. INVENTORY

Inventory is comprised of the following:

	January 31 2023	July 31 2022
Finished goods	**$ 233,473**	$ 204,611
Supplies and consumables	**271,325**	250,765
Unpackaged cannabis and edibles	**1,662,027**	1,263,699
Carrying amount - inventory	**$ 2,166,825**	$ 1,719,075

Inventory expensed during the six months ended January 31, 2023 was $840,787 (January 31, 2022 - $745,894).

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	July 31 2021	Additions	Dispositions	July 31 2022	Additions	Dispositions	**January 31 2023**
Cost							
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	-	5,095	**96,981**
Equipment	2,299,390	82,105	-	2,381,495	163,697	-	**2,545,192**
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	$ 520,234	$ 378,876	**$ 14,262,920**

	July 31 2021	Depreciation/ Amortization	Depreciation Reversed	July 31 2022	Depreciation/ Amortization	Depreciation Reversed	**January 31 2023**
Accumulated Depreciation/Amortization							
Automobile equipment	$ 15,120	$ 5,040	$ -	$ 20,160	$ 2,520	$ -	**$ 22,680**
Buildings	763,738	232,465	(137,157)	859,046	99,773	-	**958,819**
Computer equipment	78,011	8,169	-	86,180	3,356	1,401	**88,135**
Equipment	950,890	277,911	-	1,228,801	123,454	-	**1,352,255**
Furniture and fixtures	50,977	6,020	(18,259)	38,738	2,547	-	**41,285**
Leasehold improvements	711,603	177,319	-	888,922	71,319	-	**960,241**
Right of use property	292,390	221,613	-	514,003	122,511	373,781	**262,733**
Software	81,002	-	-	81,002	-	-	**81,002**
							-
	$ 2,943,731	$ 928,537	$ (155,416)	$ 3,716,852	$ 425,480	$ 375,182	**$ 3,767,150**
Carrying Amounts	$ 13,125,006			$ 10,404,710			**$ 10,495,770**

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.

On January 13, 2023, the Company returned equipment to an arm's length party for gross proceeds of $3,324 and recognized a loss on sale of $365.

9. INVESTMENT IN AFFILIATE

On November 23, 2022, the Company acquired 40% of THC BioMed (Thailand) Co. Ltd. for $64,000. This affiliate will undertake wholesale and retail medical sales of cannabis in Thailand.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31 2023	July 31 2022
Accrued liabilities	**$ 104,995**	$ 215,870
Excise taxes payable	**2,022,001**	1,654,005
Goods and services tax payable	**368,336**	304,864
Trade payables	**1,255,209**	1,075,407
	$ 3,750,541	$ 3,250,146

11. MORTGAGES PAYABLE

	January 31 2023	July 31 2022
Mortgages payable at beginning of the year	**$ 2,904,214**	$ 3,088,246
Mortgages added during the year	**-**	1,000,000
Less principal payments	**(65,046)**	(1,184,032)
Mortgages payable at the end of the year	**2,839,168**	2,904,214
Less current portion	**(2,245,827)**	(2,537,049)
Non-current portion	**$ 593,340**	$ 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 January 31, 2023, the balance payable is $244,644 (July 31, 2022 - $251,229) with accrued interest of $2,446 (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 January 31, 2023, the balance payable is $371,530 (July 31, 2022 - $375,683) with accrued interest of $3,096 (July 31, 2022 - $3,131) included in accounts payable and accrued liabilities.

11. 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 January 31, 2023, the balance payable is $412,455 (July 31, 2022 - $419,786) with accrued interest of $1,579 (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 January 31, 2023, 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 January 31, 2023, the balance payable is $856,100 (July 31, 2022 - $884,735) with accrued interest of $2,347 (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 January 31, 2023, 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 January 31, 2023, the balance payable is $954,438 (July 31, 2022 - $972,781) with accrued interest of $2,617 (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.

12. 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:

(Expressed in Canadian Dollars)

12. LEASE LIABILITIES (continued)

	January 31 2023	July 31 2022
Operating lease liabilities recognized at beginning of the period	**$ 210,607**	$ 205,766
Lease liabilities recognized during the period	**448,739**	228,824
Payments of lease liabilities	**(146,484)**	(248,343)
Interest expense on lease liabilities	**20,777**	24,360
Lease liabilities balance at end of the period	**$ 533,639**	$ 210,607

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

	January 31 2023	July 31 2022
Lease liabilities balance at end of the period	**$ 533,639**	$ 210,607
Current portion	**(172,878)**	(100,458)
Long term portion	**$ 360,761**	$ 110,149

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

	January 31 2023	July 31 2022
Less than one year	**$ 215,758**	$ 109,442
One to five years	**396,143**	125,798
Total undiscounted lease liabilities	**$ 611,901**	$ 235,240

At January 31, 2023, the lease liabilities totaled $533,639 (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; one expires on November 30, 2025; and one expires on October 31, 2026.

13. 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.

13. 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 six months ended January 31, 2023, 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 six months ended January 31, 2023, 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 six months ended January 31, 2023, the Company paid $25,160 (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. The Company has extended the Debenture for another 12 months under the same terms. During the six months ended January 31, 2023, the Company paid $15,096 (July 31, 2022 - $14,959) of accrued interest.

(Expressed in Canadian Dollars)

13. CONVERTIBLE DEBENTURES PAYABLE (continued)

During the six months ended January 31, 2023, $66,672 (July 31, 2022 - $123,393) in interest was accrued on the convertible debentures and $57,204 (July 31, 2022 - $114,202) was paid. At January 31, 2023, accrued interest payable of $35,275 (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	22,986	-	22,986
Balance, January 31, 2023	**1,377,787**	**59,740**	**1,437,527**

14. 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
Balance, July 31, 2022 and January 31, 2023	**163,938,556**	**$ 31,664,098**

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.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

b) Escrow shares

At January 31, 2023, 690 (July 31, 2022 – 690) common shares are held in escrow.

c) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
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	(5,000,000)		0.1500
Balance, January 31, 2023	**-**	**$**	**-**

d) Agent warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
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	(350,000)		0.15
Balance, January 31, 2023	**-**	**$**	**-**

15. 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.

(Expressed in Canadian Dollars)

15. SHARE-BASED COMPENSATION (continued)

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
Balance, July 31, 2022	6,250,000	$ 0.207
Options cancelled	(150,000)	0.150
Balance, January 31, 2023	**6,100,000**	**$ 0.207**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
February 12, 2021	February 12, 2023	0.03	5,300,000	5,300,000	0.215
March 17, 2021	March 17, 2023	0.12	50,000	500,000	0.165
June 14, 2021	June 14, 2023	0.37	300,000	300,000	0.130
			5,650,000	6,100,000	$ 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 six months ended January 31, 2023, the Company recognized $Nil (July 31, 2022 - $137,440) in share-based compensation.

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 six months ended January 31, 2023, the Company recognized $Nil (July 31, 2022 - $Nil) in share-based compensation.

(Expressed in Canadian Dollars)

15. SHARE-BASED COMPENSATION (continued)

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 six months ended January 31, 2023, 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.

16. REVENUE

The total revenue earned for the six months ended January 31, 2023 includes excise taxes of $310,550 (January 31, 2022 - $470,487).

17. GENERAL AND ADMINISTRATION EXPENSES

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2023	(Unaudited) January 31 2022	**(Unaudited) January 31 2023**	(Unaudited) January 31 2022
Automobile expenses	**$ 644**	$ 567	**$ 981**	$ 1,952
Bank charges and interest	**159,641**	91,357	**256,891**	203,289
Consulting fees	**468**	-	**468**	2,840
Director fees	**12,570**	25,611	**25,288**	51,196
Dues and licenses	**3,682**	-	**7,364**	-
Insurance	**-**	1,489	**-**	2,881
Investor relations	**-**	16,008	**-**	37,578
Legal and accounting	**80,729**	100,689	**110,469**	164,130
Office and sundry	**14,099**	17,738	**29,447**	36,014
Payroll and benefits	**57,686**	65,466	**117,325**	144,680
Property tax	**-**	7,605	**-**	15,211
Telephone	**2,354**	3,518	**5,624**	7,317
Transfer agent and filing fees	**15,666**	16,849	**28,102**	29,625
Travel	**15,699**	1,833	**41,067**	8,210
	$ 363,238	$ 348,730	**$ 623,026**	$ 704,923

(Expressed in Canadian Dollars)

18. SEGMENTED INFORMATION

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	January 31 2023	January 31 2022
Amounts receivable	**$ (76,634)**	$ 194,751
Biological assets	**101,483**	(627,215)
Inventory	**(447,750)**	(424,637)
Prepaid expenses and deposits	**121,235**	(225,917)
Accounts payable and accrued liabilities	**530,408**	672,896
	$ 228,742	$ (410,122)

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

			Non-cash changes		
	July 31 2022	Cash Flows	Accrued Interest	Acquisitions	**January 31 2023**
Mortgages payable	$ 2,904,214	$ (65,047)	$ -	$ -	**$ 2,839,167**
Lease liabilities	210,607	(125,707)	-	448,739	**533,639**
Convertible debentures payable	1,372,368	-	5,419	-	**1,377,787**
Total liabilities from financing activities	$ 4,487,189	$ (190,754)	$ 5,419	$ 448,739	**$ 4,750,593**

			Non-cash changes		
	July 31 2021	Cash Flows	Accrued Interest	Acquisitions	**January 31 2022**
Commercial operating loan	$ 486,004	$ (2,703)	$ -	$ -	$ 483,301
Mortgages payable	3,088,246	640,163	-	-	3,728,409
Lease liabilities	205,766	143,855	-	-	349,621
Convertible debentures payable	791,552	611,021	(7,737)	-	1,394,836
Total liabilities from financing activities	$ 4,571,568	$ 1,392,336	$ (7,737)	$ -	$ 5,956,167

(Expressed in Canadian Dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Other supplemental cash flow information is as follows:

		January 31 2023		January 31 2022
Fair value of stock options cancelled and expired	$	**13,795**	$	172,591
Fair value of agent warrants expired	$	**23,208**	$	-
Income taxes paid	$	**-**	$	-
Interest paid	$	**222,674**	$	196,033
Interest received	$	**105**	$	12

20. RELATED PARTY TRANSACTIONS

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

		January 31 2023		January 31 2022
Director fees	$	**24,000**	$	48,000
Interest		**40,256**		20,838
Lease liability payments		**67,600**		67,600
Salaries and benefits		**100,000**		100,000
Share-based compensation		**-**		16,549
	$	**231,856**	$	252,987

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.

20. 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 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.

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 six months ended January 31, 2023, the Company paid $25,160 (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. The Company has extended the Debenture for another 12 months under the same terms. During the six months ended January 31, 2023, the Company paid $15,096 (July 31, 2022 - $14,959) of accrued interest.

At January 31, 2023, the Chief Executive Officer advanced $119,237 (July 31, 2022 - $82,022 owed) 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 $51,767 (January 31, 2022 - $54,844) for the six months ended January 31, 2023 and stock options with share-based compensation totaling $Nil (January 31, 2022 - $8,275).

20. RELATED PARTY TRANSACTIONS (continued)

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Under IFRS 13, Fair Value Measurement establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

The 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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Market risk (continued)

(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.

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 January 31, 2023, 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 January 31, 2023, approximately $30,100 or US$22,547 (July 31, 2022 - $68,859 or US$53,695) of the Company's cash was in US Dollars and $24,844 (US$18,610) (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 $526 (July 31, 2022 - $4,280) to the unrealized gain or loss. The Company has approximately $3,526 (Euro 2,432) (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 $353 (July 31, 2022 - $352) to the unrealized gain or loss.

At January 31, 2023, financial instruments were converted at a rate of US$1.3350 to $1 Canadian; and 1.4497 Euro to $1 Canadian.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Market risk (continued)

(ii) Foreign currency risk (continued)

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.

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 January 31, 2023, 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 January 31, 2023 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:

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

	Total	<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	**$ 3,750,541**	$ 3,750,541	$ -	$ -	$ -
Mortgages payable	**2,839,167**	2,245,827	593,340	-	-
Lease liabilities	**611,901**	215,758	211,852	155,261	29,030
Convertible debentures payable	**1,394,580**	1,394,580	-	-	-
Total undiscounted financial liabilities	**$ 8,596,189**	$ 7,606,706	$ 805,192	$ 155,261	$ 29,030

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.

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 January 31, 2023, total managed capital was $5,634,236 (July 31, 2022 - $6,933,131).

22. SUBSEQUENT EVENTS

On February 12, 2023, 5,300,000 stock options expired that were excisable at $0.215 per share.

On March 17, 2023, 500,000 stock options expired that were excisable at $0.165 per share.