

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(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, 2017 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.

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

As at	January 31 2017	(Audited) (Restated - note 17) July 31 2016
Assets		
Current		
Cash	\$ 205,294	\$ 109,101
Amounts receivable (note 4)	657	124,551
Goods and services tax receivable	44,079	19,107
Advances to related parties (note 11)	70,748	75,613
Biological assets and inventory (note 5)	2,056,814	-
Prepaid expenses and deposits	67,487	126,156
	2,445,079	454,528
Non-current		
Property and equipment (note 6)	1,215,172	1,146,445
Intangible property (note 7)	88,756	-
	1,303,928	1,146,445
	\$ 3,749,007	\$ 1,600,973
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 527,016	\$ 473,118
Promissory note payable (note 8 and 12)	135,000	135,000
Current portion of mortgages payable (note 9)	249,226	23,802
Advances from related parties (note 12)	55,251	213,718
	966,493	845,638
Non-current		
Mortgages payable (note 9)	164,302	404,668
	1,130,795	1,250,306
Shareholders' Equity		
Share capital (note 10)	5,361,939	3,865,413
Share subscription received in advance	-	250,000
Reserves	24,263	70,652
Accumulated deficit	(2,767,990)	(3,835,398)
	2,618,212	350,667
	\$ 3,749,007	\$ 1,600,973

Nature and continuance of operations (note 1)**Contingency** (note 13)**Subsequent event** (note 19)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2017. They are signed on the Company's behalf by:

"John Miller"

Director

"Hee Jung Chun"

Director

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	January 31 2017	January 31 2016	January 31 2017	January 31 2016
Sales	\$ 3,195	\$ -	\$ 3,195	\$ -
Cost of sales	(14,694)	-	(14,694)	-
Other production costs	(160,233)	-	(160,233)	-
Gain on changes in fair value of biological assets (note 5)	653,349	-	1,877,930	-
Gross margin	481,617	-	1,706,198	-
Expenses				
General and administration (note 12)	323,668	302,850	578,729	541,620
Depreciation and amortization (note 6 and 7)	30,605	3,399	43,103	6,799
Sales and marketing	9,654	-	25,008	-
Share-based compensation (note 11)	-	7,588	-	62,252
	363,927	313,837	646,840	610,671
Other (income) expense items				
Consulting fees	-	(250,000)	-	(250,000)
Foreign exchange loss	1	2	3	3
Forgiveness of debt settlements	-	(125,303)	-	(125,303)
Gain on sale of investment	-	(1,575)	-	(1,575)
Interest income	(8,013)	(51)	(8,053)	(133)
	(8,012)	(376,927)	(8,050)	(377,008)
Net and comprehensive income (loss) for the period	\$ 125,702	\$ 63,090	\$ 1,067,408	\$ (233,663)
Basic and diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ (0.00)
Weighted average number of shares outstanding	102,949,459	89,135,157	101,187,894	82,519,279

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

THC BIOMED INTL LTD.

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

	Number of Shares	Share Capital	Share Subscription Received in Advance	Share-Based Payment Reserve	Deficit	Total Equity
Balance, July 31, 2016 - Restated (note 18)	96,199,544	\$ 3,865,413	\$ 250,000	\$ 70,652	\$ (3,835,398)	\$ 350,667
Shares issued for cash	1,000,000	250,000	(250,000)	-	-	-
Stock options exercised	916,000	104,100	-	-	-	104,100
Fair value of stock options exercised	-	46,389	-	(46,389)	-	-
Warrants exercised	4,983,915	1,096,037	-	-	-	1,096,037
Income for the period	-	-	-	-	1,067,408	1,067,408
Balance, January 31, 2017	103,099,459	\$ 5,361,939		\$ 24,263	\$ (2,767,990)	\$ 2,618,212
Balance, July 31, 2015	75,674,620	\$ 1,734,048		\$ 59,754	\$ (3,308,506)	\$ (1,514,704)
Shares issued for cash	10,675,000	1,090,500	-	-	-	1,090,500
Shares issued for debt	6,359,924	706,516	-	-	-	706,516
Shares issued for finder fees	240,000	23,400	-	-	-	23,400
Share issuance costs	-	(62,300)	-	-	-	(62,300)
Stock options exercised	250,000	25,000	-	-	-	25,000
Share-based compensation	-	-	-	62,252	-	62,252
Reverse fair value of stock options exercised and cancelled	-	-	-	(12,696)	12,696	-
Loss for the period	-	-	-	-	(233,663)	(233,663)
Balance, January 31, 2016	93,199,544	\$ 3,517,164		\$ 109,310	\$ (3,529,473)	\$ 97,001

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	January 31	January 31	January 31	January 31
	2017	2016	2017	2016
Cash provided by (used for)				
Operating activities				
Net income (loss) for the period	\$ 125,702	\$ 63,090	\$ 1,067,408	\$ (233,663)
Add items not affecting cash				
Accrued interest revenue	40	(49)	-	(98)
Accrued liabilities	(39,644)	(61,719)	(18,844)	22,950
Depreciation and amortization	30,605	3,399	43,103	6,799
Foreign exchange loss	1	2	3	3
Gain on biological assets and inventory	(663,349)	-	(1,887,930)	-
Share-based compensation	-	7,588	-	62,252
Shares issued for services	-	-	-	14,175
Shares issued for finance costs	-	-	-	14,175
	(546,645)	12,311	(796,260)	(127,582)
Net change in non-cash working capital	380,883	(595,325)	61,449	(562,520)
	(165,762)	(583,014)	(734,811)	(690,102)
Financing activities				
Advances from (repaid to) related parties	(239,411)	(77,096)	(158,467)	(36,411)
Issuance of shares for cash, net of share issuance costs	41,600	907,000	1,200,137	1,076,600
Mortgage proceeds repaid	(8,848)	(4,548)	(14,942)	(14,012)
Promissory notes repaid	-	(188,754)	-	(289,400)
	(206,659)	636,602	1,026,728	736,777
Investing activities				
Acquisition of property and equipment	(45,990)	(27,205)	(99,151)	(57,909)
Acquisition of intangible property	(101,435)	-	(101,435)	-
Advances to (repaid by) related parties	(2,506)	9,470	4,865	2,550
Disposition of investment held for sale	-	3,150	-	3,150
	(149,931)	(14,585)	(195,721)	(52,209)
Effect of foreign exchange translation on cash	(1)	(2)	(3)	(3)
Net increase (decrease) in cash	(522,353)	39,001	96,193	(5,537)
Cash, beginning of period	727,647	7,172	109,101	51,710
Cash, end of period	\$ 205,294	\$ 46,173	\$ 205,294	\$ 46,173
Supplemental cash flow information (note 15)				

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

THC BIOMED INTL LTD.

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

For the Six months ended January 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Intl Ltd. (“THC” or the “Company”), formerly Thelon Capital Ltd. (“Thelon”), was formed by a reverse take-over (“RTO”) on January 14, 2015, by the shareholders of THC BioMed Ltd. and THC Meds Inc. (collectively the “THC Companies”).

THC BioMed Intl Ltd. is a public company incorporated under the Company Act of British Columbia on February 2, 1982. The Company traded on the TSX Venture Exchange from February 4, 2010 until December 22, 2014 when the Company requested the Company’s common shares be delisted. The Company also consolidated its share capital on a six old for one new basis on December 23, 2014. All references to share and per share amounts in these consolidated financial statements have been adjusted to reflect the share consolidation on a retrospective basis. On April 29, 2015, the Company was relisted and began trading on the Canadian Securities Exchange (“CSE”) under the symbol THC.

THC BioMed Ltd., a wholly-owned subsidiary of the Company, is licensed under Canada’s Access to Cannabis for Medical Purposes Regulations (“ACMPR”) for the cultivation and sale of cannabis for medical purposes in the form of dried or fresh product, oil, and starting materials. THC also conducts research and development of the products and services related to cannabis for medical purposes.

On September 26, 2016, the Company announced that it has signed a Letter of Intent to purchase 100% of Clone Shipper LLC, a US based company specializing in the packaging products used to transport live plants, for US\$1,000,000. On October 27, 2016, the Company signed a Distribution Agreement with Clone Shipper LLC. Under this agreement, the Company has the distribution rights for all Clone Shipper products in Canada. The Distribution Agreement is for a period of two years for which the Company paid US\$75,000. THC will use the Clone Shipper packaging to transport the sale of live plants. Sales began in January 2017.

The Company’s corporate office and principal place of business is at Unit 27 – 2550 Acland Road, Kelowna, British Columbia, Canada, V1X 7L4.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to commence profitable operations in the future. To date the Company is considered to be in the development stage. These factors create material uncertainty that 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 17c.

THC BIOMED INTL LTD.

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

For the Six months ended January 31, 2017

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The preparation of the condensed interim consolidated financial statements using accounting policies consistent with IFRS requires management to make certain critical accounting estimates which requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial statements have been set out in note3 of the annual audited consolidated financial statements for the year ended July 31, 2016.

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, 2016, and should be read in conjunction with those statements.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting pronouncements have been released but have not yet been adopted by the Company:

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 15 *Revenue Recognition*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management has not yet determined the potential impact the adoption of IFRS 15 will have on the Company's financial statements.

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

For the Six months ended January 31, 2017

4. AMOUNTS RECEIVABLE

	January 31 2017	July 31 2016
Bank of Montreal	\$ -	\$ 42
Government of Canada (Scientific Research & Experimental Development Claim)	-	111,169
Other	657	-
Supra Research and Development Inc.	-	840
Trans-Medica Ltd.	-	12,500
	\$ 657	\$ 124,551

5. BIOLOGICAL ASSETS AND INVENTORY

	Mother Plants	Clones	Inventory of Seeds	Inventory of Dried Marijuana	Inventory of Clone Shipper Kits	Total
Carrying amount, July 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	-
Cost of biological assets	19,254	71,948	9,377	-	-	100,579
Loss on changes in fair value of biological assets	(19,254)	(71,948)	(9,377)	-	-	(100,579)
Carrying amount, July 31, 2016	-	-	-	-	-	-
Cost of biological assets	20,041	160,206	-	77,553	12,286	270,086
Gain (loss) on changes in fair value of biological assets	584,959	(138,946)	1,315,000	25,715	-	1,786,728
Carrying amount, January 31, 2017	\$ 605,000	\$ 21,260	\$ 1,315,000	\$ 103,268	\$ 12,286	\$ 2,056,814

6. PROPERTY AND EQUIPMENT

The Company acquired the first property to house their warehouse and laboratory facilities in September of 2012 for \$291,526, of which \$162,140 was attributed to the land and \$129,386 to the building. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized along with the mortgage interest until May 1, 2016 when growing commenced.

The Company acquired the second property to expand their warehouse facilities on October 2, 2014 for cash and mortgage payable totaling \$341,604, of which \$199,326 was attributed to the land and \$142,278 to the building. All costs of modifications to the property to meet all specifications required by Health Canada have been capitalized along with the mortgage interest until May 1, 2016 when growing commenced.

THC BIOMED INTL LTD.

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

For the Six months ended January 31, 2017

6. PROPERTY AND EQUIPMENT (continued)

Depreciation began May 1, 2016 when the buildings were considered "in use" with the planting of the first crop of medical marijuana.

	July 31 2015	Additions	July 31 2016	Additions	January 31 2017
Cost					
Land	\$ 406,607	\$ 16,006	\$ 422,613	\$ -	\$ 422,613
Buildings	580,939	104,414	685,353	-	685,353
Automobile	-	-	-	6,741	6,741
Office computer equipment	1,326	2,235	3,561	5,702	9,263
Office furniture and equipment	7,388	4,037	11,425	23,097	34,522
Software	1,093	-	1,093	-	1,093
Warehouse and lab computer equipment	28,359	4,209	32,568	12,301	44,869
Warehouse and lab equipment	22,291	28,051	50,342	49,418	99,760
	\$ 1,048,003	\$ 158,952	\$ 1,206,955	\$ 97,259	\$ 1,304,214

	July 31 2015	Depreciation	July 31 2016	Depreciation	January 31 2017
Accumulated Depreciation					
Buildings	\$ -	\$ 25,326	\$ 25,326	\$ 13,200	\$ 38,526
Automobile	-	-	-	506	506
Office computer equipment	1,131	722	1,853	1,254	3,107
Office furniture and equipment	1,415	1,599	3,014	1,995	5,009
Software	1,093	-	1,093	-	1,093
Warehouse and lab computer equipment	9,174	11,708	20,882	4,906	25,788
Warehouse and lab equipment	1,349	6,993	8,342	6,671	15,013
	\$ 14,162	\$ 46,348	\$ 60,510	\$ 28,532	\$ 89,042

Carrying Amounts	\$ 1,033,841		\$ 1,146,445		\$ 1,215,172
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7. INTANGIBLE PROPERTY

On October 27, 2016, the Company signed a Distribution Agreement with Clone Shipper LLC. Under this agreement, the Company has the distribution rights for all Clone Shipper products in Canada. The Distribution Agreement is for a period of two years for which the Company paid US\$75,000.

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

For the Six months ended January 31, 2017

7. INTANGIBLE PROPERTY (continued)

	January 31 2017	July 31 2016
Cost		
Distribution agreement	\$ 101,435	\$ -
Accumulated amortization	12,679	-
Carrying Amount	\$ 88,756	\$ -

8. PROMISSORY NOTE PAYABLE

Thelon issued a promissory note in the principal amount of up to \$150,000 on December 31, 2014 to BUA Capital Management Ltd., a private company controlled by a director, Jason Walsh. The note is without interest and due on December 31, 2016. At January 31, 2017, \$135,000 (July 31, 2016 - \$135,000) is owed against the note.

9. MORTGAGES PAYABLE

The Company has a mortgage payable on its first property in the principal amount of \$210,560 with interest at 5.50% per annum with monthly payments of \$2,760 due on the 21st day of each month. The mortgage originally matured on September 21, 2015. On March 31, 2015, the mortgage was modified to mature on August 21, 2018 with interest at 10% per annum starting on September 22, 2015. At January 31, 2017, the balance payable is \$180,659 (July 31, 2016 - \$189,645) including accrued interest.

The Company has a mortgage payable on its second property in the principal amount of \$250,000 with interest at 10% per annum with monthly payments of \$2,656 due on the 2nd day of each month. The first payment was on November 2, 2014 and the mortgage matures on October 2, 2017. At January 31, 2017, the balance payable is \$232,870 (July 31, 2016 - \$238,825) including accrued interest.

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

Unlimited number of common shares without par value

Issued:

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

For the Six months ended January 31, 2017

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

	Issued Number	Amount
Balance, July 31, 2015	75,674,620	\$ 1,734,048
Shares issued for cash	10,675,000	1,090,500
Shares issued for debt	8,359,924	906,516
Shares issued for finder fees	240,000	(38,900)
Stock options exercised	1,250,000	125,000
Fair value of stock options exercised	-	48,249
Balance, July 31, 2016	96,199,544	3,865,413
Shares issued for cash	1,000,000	250,000
Stock options exercised	916,000	104,100
Fair value of stock options exercised	-	46,389
Warrants exercised	4,983,915	1,096,037
Balance, January 31, 2017	103,099,459	\$ 5,361,939

On October 26, 2015, the Company closed a non-brokered private placement of 4,119,583 units ("Unit") at a price of \$0.06 per Unit for gross proceeds of \$190,500 and settlement of \$56,675 of short term debt. Each Unit consists of one common share and one common share purchase warrant exercisable at \$0.15 per share until October 26, 2016. Warrants were valued at \$Nil using the residual value method. A finder's fee of \$2,900 was paid in cash along with 90,000 Units on the same terms for the private placement, for total a finder's fee of \$8,300.

On November 6, 2015, the Company issued 4,660,000 common shares pursuant to a settlement agreement with Jacob Securities Inc. The shares were issued at a fair value of \$0.12 per share and will be released pursuant to a stock restriction agreement over the course of 36 months. The value of the shares of \$559,200 was recorded as consulting fees in fiscal 2015 and previously included in accounts payable and accrued liabilities.

On December 9, 2015, 250,000 stock options were exercised at \$0.10 per share for gross proceeds of \$25,000. The market price on the date of exercise was \$0.10.

On December 10, 2015, the Company closed a non-brokered private placement of 7,500,000 units ("Unit") at a price of \$0.12 per Unit for gross proceeds of \$900,000. Each Unit consists of one common share and one common share purchase warrant exercisable at \$0.25 per share until December 10, 2016. The warrants will have an acceleration clause such that, if after the required hold period, the shares in the Company trade above \$0.30 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants from the date that such notice is given. Warrants were valued at \$Nil using the residual value method. A finder's fee of \$36,000 was paid in cash along with 150,000 Units on the same terms for the private placement, for a total finder's fee of \$54,000.

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

For the Six months ended January 31, 2017

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

On December 10, 2015, the Company issued 755,341 common shares at \$0.12 per share to settle \$90,641 in debt. The market price on the date of exercise was \$0.13.

On February 4, 2016, the Company issued 2,000,000 common shares pursuant to a settlement agreement with Cervus Business Management Inc. The shares were issued at a fair value of \$0.10 per share and will be released pursuant to a stock restriction agreement over the course of 36 months. The value of the shares of \$200,000 was recorded as consulting fees in fiscal 2015 and previously included in accounts payable and accrued liabilities.

On March 24, 2016, 500,000 stock options were exercised at \$0.10 per share for gross proceeds of \$50,000. The market price on the date of exercise was \$0.13.

On May 24, 2016, 500,000 stock options were exercised at \$0.10 per share for gross proceeds of \$50,000.

On September 12, 2016, 1,000,000 common shares were issued at \$0.25 per share for gross proceeds of \$250,000.

On September 22, 2016, 250,000 stock options were exercised at \$0.10 per share for gross proceeds of \$25,000 and 250,000 stock options were exercised at \$0.15 per share for gross proceeds of \$37,500.

On September 25, 2016, 166,666 warrants were exercised at \$0.60 for gross proceeds of \$100,000 and 4,459,001 warrants expired at \$0.60.

On October 5, 2016, 1,154,167 warrants were exercised at \$0.15 for gross proceeds of \$173,125.

October 26, 2016, 7,650,000 warrants expired at \$0.25.

On November 22, 2016, 250,000 stock options were exercised at \$0.10 per share for gross proceeds of \$25,000.

On December 20, 2016, 166,000 stock options were exercised at \$0.10 per share for gross proceeds of \$16,600.

b) Escrow shares

Currently 690 common shares (July 31, 2016 – 690) are held in escrow.

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

For the Six months ended January 31, 2017

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

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2015	5,233,333	\$ 0.30/\$0.60
Warrants issued	11,859,583	0.21
Balance, July 31, 2016	17,092,916	0.33
Warrants exercised	(4,983,915)	0.22
Warrants expired	(12,109,001)	0.38
Balance, January 31, 2017	-	\$ -

11. SHARE-BASED COMPENSATION

The Company is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted 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 capital stock 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, 2015	4,083,334	\$ 0.30
Options granted	1,000,000	0.10
Options cancelled/expired	(2,333,334)	0.44
Options exercised	(1,250,000)	0.10
Balance, July 31, 2016	1,500,000	0.11
Options exercised	(916,000)	0.11
Balance, January 31, 2017	584,000	\$ 0.10

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

For the Six months ended January 31, 2017

11. SHARE-BASED COMPENSATION (continued)

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Outstanding	Exercise Price
October 5, 2015	October 5, 2017	0.68	584,000	\$ 0.10

On July 10, 2015, Thelon granted 1,000,000 stock options to a consultant of the Company to acquire 1,000,000 common shares of the Company with an expiry date of July 10, 2017. 500,000 stock options have an exercise price of \$0.10 per share and 500,000 stock options have an exercise price of \$0.15 per share. The options vest over the course of one year with 25% vesting on the date of grant and 25% every four months following the date of grant. The options have a fair value, calculated using the Black-Scholes option pricing model, of \$20,699 or \$0.02 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.50%, an expected dividend rate of 0.00%, stock price of \$0.04 and an expected annual volatility coefficient of 147%. Volatility was determined using historical stock prices.

On July 22, 2015, Thelon granted 500,000 stock options to a consultant of the Company to acquire 500,000 common shares of the Company with an expiry date of July 22, 2017. 250,000 stock options have an exercise price of \$0.10 per share and 250,000 stock options have an exercise price of \$0.15 per share. The options vest over the course of one year with 25% vesting on the date of grant and 25% every four months following the date of grant. The options have a fair value, calculated using the Black-Scholes option pricing model, of \$29,107 or \$0.06 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.43%, an expected dividend rate of 0.00%, stock price of \$0.09 and an expected annual volatility coefficient of 158%. Volatility was determined using historical stock prices.

On July 28, 2015, Thelon granted 1,000,000 stock options to consultants of the Company to acquire 1,000,000 common shares of the Company with an expiry date of July 28, 2017. The options have a fair value, calculated using the Black-Scholes option pricing model, of \$44,018 or \$0.04 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.44%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 158%. Volatility was determined using historical stock prices.

On October 5, 2015, Thelon granted 1,000,000 stock options to employees of the Company to acquire 1,000,000 common shares of the Company with an expiry date of October 5, 2017. The options have a fair value, calculated using the Black-Scholes option pricing model, of \$41,546 or \$0.04 per option, assuming an expected life of 2 years, a risk-free interest rate of 0.51%, an expected dividend rate of 0.00%, stock price of \$0.06 and an expected annual volatility coefficient of 165%. Volatility was determined using historical stock prices.

12. RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the six months ended January 31, 2017 and 2016:

THC BIOMED INTL LTD.

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

For the Six months ended January 31, 2017

12. RELATED PARTY TRANSACTIONS (continued)

	Accounting	Consulting	Director Fees	Office and Administration	Salaries and Benefits	January 31, 2017 Total
BUA Capital Management Ltd. \$	-	\$ 20,000	\$ -	\$ -	\$ -	20,000
BUA Group Holdings Ltd.	-	-	-	16,400	-	16,400
George Smitherman	-	-	3,000	-	-	3,000
Hee Jung Chun	-	-	3,000	-	20,000	23,000
John Miller	-	-	3,000	-	20,000	23,000
	\$ -	\$ 20,000	\$ 9,000	\$ 16,400	\$ 40,000	\$ 85,400

	Accounting	Consulting	Director Fees	Office and Administration	Salaries and Benefits	January 31, 2016 Total
BUA Capital Management Ltd. \$	-	\$ 45,000	\$ -	\$ -	\$ -	45,000
BUA Group Holdings Ltd.	-	-	-	24,600	-	24,600
GRW Inc.	-	12,000	-	-	-	12,000
Hee Jung Chun	-	-	-	-	31,200	31,200
John Miller	-	-	-	-	100,200	100,200
Publico Services Ltd.	-	5,000	-	-	-	5,000
T. St. Denis, Inc.	48,725	-	-	-	-	48,725
	\$ 48,725	\$ 62,000	\$ -	\$ 24,600	\$ 131,400	\$ 266,725

BUA Capital Management Ltd. provided consulting services to the Company until November 30, 2016. It is a private company controlled by a director, Jason Walsh. On October 26, 2015, BUA Capital Management Ltd. was issued 250,000 Units (note 10a) at \$0.06 for \$15,000 in debt. At January 31, 2017, the Company owed \$Nil (July 31, 2016 - \$70,448) to BUA Capital Management Ltd. which is included in advances from related parties, and \$135,000 (July 31, 2016 - \$150,000) which is included in the promissory note payable.

BUA Group Holdings Ltd. provided administration services to the Company until November 30, 2016. It is a private company controlled by a director, Jason Walsh. At January 31, 2017, the Company owed \$Nil (July 31, 2016 - \$6,679) to BUA Group Holdings Ltd.

George Smitherman receives a director fee of \$500 per month totaling \$3,000 (January 31, 2016 - \$Nil) for the six months ended January 31, 2017.

GRW Inc. provided consulting services to the Company until November 30, 2015. It is a private company controlled by the former Chief Financial Officer, Geoff Watson.

Hee Jung Chun is the Chief Financial Officer, a director of the Company, and co-founder of the THC Companies. Ms. Chun receives a salary from the THC Companies of \$5,000 per month. At January 31, 2017, \$46,800 (July 31, 2016 - \$36,400) in accrued salaries to Ms. Chun is included in accounts payable and accrued liabilities. At January 31, 2017, the Company also owed Ms. Chun \$43,899 (July 31, 2016 - \$125,239), which is included in advances from related parties. Ms. Chun also receives a director fee of \$500 per month totaling \$3,000 (January 31, 2016 - \$Nil) for the six months ended January 31, 2017.

THC BIOMED INTL LTD.

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

For the Six months ended January 31, 2017

12. RELATED PARTY TRANSACTIONS (continued)

John Miller is the President and Chief Executive Officer of the Company, a director, and co-founder of the THC Companies. Mr. Miller receives a salary from the THC Companies of \$5,000 per month. At January 31, 2017, \$46,800 (July 31, 2016 - \$36,400) in accrued salaries to Mr. Miller is included in accounts payable and accrued liabilities. Mr. Miller also receives a director fee of \$500 per month totaling \$3,000 (January 31, 2016 - \$Nil) for the six months ended January 31, 2017.

T. St. Denis, Inc. is a private accounting firm owned by the former Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. On October 26, 2015, T. St. Denis, Inc. was issued 250,000 Units (note 10a) at \$0.06 for \$15,000 of debt.

International Ranger Corp. is a public company with common directors. At January 31, 2017, the Company is owed \$1,881 (July 31, 2016 - \$1,881) from International Ranger Corp. which is included in advances to related parties.

Thelon Diamond Company Limited is a public company with a common director, Jason Walsh. At January 31, 2017, the Company owes Thelon Diamond Company Limited \$1,000 (July 31, 2016 - \$1,000) which is included in advances from related parties.

At January 31, 2017, the Company owed \$10,352 (July 31, 2016 - \$10,352) to Thelon Diamonds Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances from related parties.

At January 31, 2017, the Company was owed \$5,850 (July 31, 2016 - \$5,850) from 1177129 Alberta Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to related parties.

At January 31, 2017, the Company was owed \$66 (July 31, 2016 - \$66) from 782618 B.C. Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in advances to related parties.

At January 31, 2017, the Company was owed \$613 (July 31, 2016 - \$613) from United Zeolite Ltd., a private company with common directors. The amount is included in advances to related parties.

At January 31, 2017, the Company was owed \$62,338 (July 31, 2016 - \$67,203) from Zadar Ventures Ltd., a public company with a common director, Jason Walsh. The amount is included in advances to related parties.

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.

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

For the Six months ended January 31, 2017

13. CONTINGENCY

During the year ended July 31, 2016, a Notice of Civil Claim was received by the Company from Jacob Securities Inc. (the "Complainant") claiming that the Company is in breach of a settlement agreement dated September 10, 2015 (the "Settlement Agreement"). The Complainant alleges it is owed delivery of certain original share certificates from the Company and possible damages. The Complainant alleges that pursuant to the Settlement Agreement, it was entitled to 4,660,000 common shares of the Company plus an additional 1,600,000 shares on the occurrence of certain events. The Complainant acknowledges it received from the Company and sold 1,165,000 shares but alleges at a later date that 3,495,000 of the remaining shares in its possession were represented by copies and not original share certificates. The Company intends to vigorously defend itself from this lawsuit as it believes it has meritorious defences to this action. Although it is not possible to predict the outcome of the pending litigation, the Company believes that the action will not have a material adverse effect upon the results of operations, cash flow, or financial condition of the Company.

14. SEGMENTED INFORMATION

The Company operates in a single reportable segment being the scientific research and development, and cultivation of medical marijuana in Canada.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	January 31 2017	January 31 2016
Fair value of stock options exercised	\$ 46,389	\$ 12,696
Income taxes paid	\$ -	\$ -
Interest paid	\$ 30,114	\$ 68,446
Interest received	\$ 8,053	\$ 35

16. OPERATING LEASE COMMITMENTS

The Company signed a 36 month lease for a Toyota Venza. A vehicle is to be available to the Responsible Person in Charge at all times in case of an emergency as stipulated by Health Canada. The lease began on October 1, 2014 with monthly payments of \$757.

The Company signed a 36 month lease to expand its facility in Kelowna, BC by renting an adjacent unit to the current property. The lease began on September 1, 2016 with monthly payments of \$2,104. The lease includes an option for a further two terms of 36 months each.

For the Six months ended January 31, 2017

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**a) Fair value of financial instruments**

The carrying values of cash, amounts receivable, advances due to/from related parties, accounts payable and accrued liabilities, promissory note payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

b) Fair value hierarchy

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).

c) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) 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, amounts receivable, and advances to related parties. 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 counterparties. The Company's financial assets are not subject to material credit risk as it does not anticipate significant loss for non-performance.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, or the proposed transaction. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at January 31, 2017 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

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

For the Six months ended January 31, 2017

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**c) Financial risk management (continued)****iii) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate risk.

Current financial assets and financial liabilities are generally not exposed to significant interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to interest rate risk on the promissory note payable as it is without interest.

The Company is exposed to interest rate risk when the mortgages payable mature if there is not significant cash available at that time and a mortgage renewal is required.

(b) Foreign currency risk

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

At January 31, 2017, the Company is exposed to foreign currency risk with respect to its US denominated bank accounts. At January 31, 2017, financial instruments were converted at a rate of \$1.00 US to Canadian \$1.3030. At January 31, 2017, the cash in US denominated bank accounts was minimal.

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

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

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

For the Six months ended January 31, 2017

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**c) Financial risk management (continued)****iii) Market risk (continued)****(c) Capital risk management (continue)**

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

(d) 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.

18. CORRECTION OF MISSTATEMENT

For the year ended July 31, 2016, the Company incorrectly recorded the receipt of \$250,000 as consulting fee revenue rather than a share subscription received in advance. The applicable Goods and Services Tax was also recorded. The consolidated financial statements have been restated as detailed in the following tables:

Consolidated Statements of Financial Position

	Year ended July 31, 2016		
	Previously Reported	Correction of Error	Restated
Amounts receivable	\$ 137,051	\$ (12,500)	\$ 124,551
Goods and services tax receivable	6,607	12,500	19,107
Share subscription received in advance	-	250,000	250,000
Accumulated deficit	(3,585,398)	(250,000)	(3,835,398)

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2017

18. CORRECTION OF MISSTATEMENT (continued)**Consolidated Statements of Comprehensive Income (Loss)**

	Year ended July 31, 2016		
	Previously Reported	Correction of Error	Restated
General and administration	\$ -	\$ -	\$ -
Total expenses	-	-	-
Consulting revenue	500,000	(250,000)	250,000
Total other (income) expense items	(747,995)	250,000	(497,995)
Net and comprehensive loss for the period	(286,340)	(250,000)	(536,340)
Earnings (loss) per share	0.00	(0.01)	(0.01)

Consolidated Statements of Changes in Equity

	Year ended July 31, 2016		
	Previously Reported	Correction of Error	Restated
Share subscription received in advance	\$ -	\$ 250,000	\$ 250,000
Shares issued for services	-	-	-
Income (loss) for the period	(286,340)	(250,000)	(536,340)

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2017

18. CORRECTION OF MISSTATEMENT (continued)**Consolidated Statements of Cash Flows**

	Year ended July 31, 2016		
	Previously Reported	Correction of Error	Restated
Net income (loss) for the period	\$ (286,340)	\$ (250,000)	\$ (536,340)
Shares issued for services	-	-	-
Net change in operating activities	(898,294)	(250,000)	(1,148,294)
Share subscription received in advance	-	250,000	250,000
Net change in financing activities	1,084,923	250,000	1,334,923

19. SUBSEQUENT EVENT

On March 16, 2017, the Company announced that it entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS for a \$10 million capital commitment from GEM to invest into THC. Proceeds raised from the investment will be used for working capital and general corporate purposes, and in particular, to close the Clone Shipper acquisition.

THC has the right to draw down under the Capital Commitment for a term of two years. Common shares will be issued to GEM at a price per share equal to the higher of the floor price set by THC and a 10% discount to the market price of the common shares based on the immediately preceding 15-day volume weighted average price for the acceptance period. Each draw down is subject to certain market out rights of GEM and approval of the CSE. GEM will hold freely trading common shares of the Company through a share lending facility provided by certain current shareholders.

THC will pay GEM a commission fee of \$225,000 upon the earliest of the closing of a private placement (in an amount equal to 15% of the proceeds of placements until the full amount of the fee is paid), 18 months from the date of the Capital Commitment Agreement, or a change of control of THC. This fee will be payable by THC at the 18-month date even if THC makes no demands on the capital commitment; if GEM fails to invest pursuant to the terms of the Capital Commitment Agreement, the fee will not be payable by THC. THC may elect to pay the commitment fee in cash or stock, subject to CSE approval.

THC BIOMED INTL LTD.**Notes to the Condensed Interim Consolidated Financial Statements
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For the Six months ended January 31, 2017

19. SUBSEQUENT EVENT (continued)

As part of the transaction, THC has agreed to issue 6,635,000 common share purchase warrants to GEM, subject to the terms and conditions of the Capital Commitment Agreement. The warrants have an exercise price equal to the greater of \$1.20 and the market price of the common shares on the date of the issuance of the warrants. The warrants will have an exercise period of 5 years. The warrant exercise price is subject to repricing to 105% of the market price in the event that THC's market price is less than 90% of the warrant exercise price on the first anniversary of the date of the Capital Commitment Agreement. The repricing must be done in accordance with the rules of the CSE. If the Company does not issue the 6,635,000 warrants within 18 months of the initial execution of the Capital Commitment Agreement, the Company shall pay GEM 8% of the original face value of any unissued warrants.