FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **THC Biomed Intl Ltd.** (the "Issuer").

Trading Symbol: **THC**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

The financial statements for the six months ended January 31, 2019 are attached.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Related party transactions

All related party transactions have been disclosed in the Issuer's financial statements for the period ended January 31, 2019.

2. Summary of securities issued and options granted during the period.

All securities issued and options granted during the period have been disclosed in the Issuer's financial statements for the period ended January 31, 2019.

3. Summary of securities as at the end of the reporting period.

A summary of securities as at the end of the reporting period have been disclosed in the Issuer's financial statements for the period ended January 31, 2019.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position(s) Held
John Miller	Director, Chief Executive Officer, and President
Hee Jung Chun	Director and Chief Financial Officer
George Smitherman	Director
Dr. Ashish Dave	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

The MD&A for the six months ended January 31, 2019 is attached.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated March 29, 2019

John Miller
Name of Director or Senior Officer

"John Miller"
Signature

Director, President, and CEO
Official Capacity

Issuer Details Name of Issuer THC Biomed Intl Ltd.	For Quarter Ended January 31, 2019	Date of Report YY/MM/D March 29, 2019
Issuer Address PO Box 20033, Towne Centre		
City/Province/Postal Code Kelowna, BC, V1Y 9H2	Issuer Fax No. (888) 422-4718	Issuer Telephone No. (250) 870-2512
Contact Name John Miller	Contact Position Director, President, and CEO	Contact Telephone No. (250) 870-2512
Contact Email Address jm@thcmeds.ca	Web Site Address www.thcbiomed.com	

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2019

(Unaudited)

(Expressed in Canadian Dollars)

THC BIOMED INTL LTD.

Condensed Interim Consolidated Financial Statements

Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of THC BioMed Intl Ltd. for the six months ended January 31, 2019 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or a review of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2019. 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 Financial Position
(Expressed in Canadian Dollars)

As at		(Unaudited) January 31 2019		(Audited) July 31 2018
Assets				
Current				
Cash	**$**	**849,668**	$	2,007,333
Amounts receivable		**110,869**		4,754
Goods and services tax receivable		**95,843**		48,978
Biological assets (note 5)		**3,865,814**		855,954
Inventory (note 6)		**482,619**		315,863
Prepaid expenses and deposits		**424,956**		486,743
Prepaid financing fee (note 9)		**4,458,153**		4,458,153
		10,287,922		8,177,778
Non-current				
Property and equipment (note 7)		**9,427,824**		6,302,145
	$	**19,715,746**	$	14,479,923
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**4,165,418**	$	612,428
Current portion of mortgages payable (note 8)		**39,970**		38,015
Promissory note payable (note 9)		**-**		99,004
Advances from related parties (note 14)		**753,487**		884,605
		4,958,875		1,634,052
Non-current				
Mortgages payable (note 8)		**611,197**		631,417
		5,570,072		2,265,469
Shareholders' Equity				
Share capital (note 10)		**23,701,326**		20,120,026
Reserves		**10,959,499**		8,993,601
Accumulated deficit		**(20,515,151)**		(16,899,173)
		14,145,674		12,214,454
	$	**19,715,746**	$	14,479,923

Nature and continuance of operations (note 1)
Commitments (note 17)
Subsequent events (note 19)

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

THC BIOMED INTL LTD.

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

	For the three months ended		For the six months ended	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	January 31	January 31	**January 31**	January 31
	2019	2018	**2019**	2018
Revenue (note 12)	**$ 474,041**	$ 305,448	**$ 753,181**	$ 581,685
Inventory expensed to cost of sales	**(168,069)**	(98,196)	**(344,529)**	(179,339)
Other costs of sales	**(134,034)**	(91,679)	**(260,077)**	(223,413)
Gross profit (loss) before fair value adjustments	**171,938**	115,573	**148,575**	178,933
Realized fair value changes in biological assets included in inventory sold	**(36,605)**	12,470	**(105,262)**	27,079
Unrealized gain on changes in fair value of biological assets	**267,538**	594,927	**2,847,508**	1,336,236
Net change in fair value (note 5)	**230,933**	607,397	**2,742,246**	1,363,315
Gross margin	**402,871**	722,970	**2,890,821**	1,542,248
Expenses				
General and administration (notes 13 and 14)	**500,963**	456,710	**840,405**	756,261
Depreciation and amortization (note 7)	**148,031**	38,804	**251,321**	67,283
Sales and marketing	**21,011**	10,216	**28,945**	12,281
Share-based compensation (notes 11 and 14)	**1,078,794**	278,840	**2,004,802**	714,507
	1,748,799	784,570	**3,125,473**	1,550,332
Other income (expense) items				
Foreign exchange income (loss)	**479**	300	**(2,815)**	(1,296)
Fair value of earn out shares to be issued	**(3,377,877)**		**(3,377,877)**	-
Loss on sale of asset	**-**	-	**(1,154)**	-
Interest income	**442**	4	**450**	6
Other	**65**	75	**70**	214
Revaluation of agent warrants (note 9)	**-**	(9,287,483)	**-**	(9,152,212)
	(3,376,891)	(9,287,104)	**(3,381,326)**	(9,153,288)
Net and comprehensive loss for the period	**$ (4,722,819)**	$ (9,348,704)	**$ (3,615,978)**	$ (9,161,372)
Basic and diluted loss per share	**$ (0.04)**	$ (0.08)	**$ (0.03)**	$ (0.09)
Weighted average number of shares outstanding	**122,271,412**	110,824,103	**120,834,103**	107,411,347

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	Agent Warrants Reserve	Deficit	(Unaudited) Total Equity
Balance, July 31, 2018	118,291,190	$ 20,120,026	$ -	$ 1,032,147	$ 7,961,454	$(16,899,173)	$ 12,214,454
Shares issued for cash	7,254,017	3,500,000	-	-	-	-	3,500,000
Share issue costs	-	(20,167)	-	-	-	-	(20,167)
Stock options exercised	162,500	62,563	-	-	-	-	62,563
Fair value of stock options exercised	-	38,904	-	(38,904)	-	-	-
Share-based compensation	-	-	-	2,004,802	-	-	2,004,802
Loss for the period	-	-	-	-	-	(3,615,978)	(3,615,978)
Balance, January 31, 2019	**125,707,707**	**$ 23,701,326**	**$ -**	**$ 2,998,045**	**$ 7,961,454**	**$(20,515,151)**	**$ 14,145,674**
Balance, July 31, 2017	103,232,631	$ 5,420,535	$ 839,974	$ 159,051	$ -	$ (4,440,265)	$ 1,979,295
Shares issued for cash	7,674,233	5,539,976	(839,974)	-	-	-	4,700,002
Share issue costs	-	(461,305)	-	-	-	-	(461,305)
Stock options exercised	1,272,750	323,569	-	-	-	-	323,569
Fair value of stock options exercised	-	288,647	-	(288,647)	-	-	-
Warrants exercised	1,362,903	1,340,625	-		-	-	1,340,625
Reallocation from warrant liability on exercise of agent warrants	-	1,743,583	-	-	-	-	1,743,583
Share -based compensation	-	-	-	714,507	-	-	714,507
Loss for the period	-	-	-	-	-	(9,161,372)	(9,161,372)
Balance, January 31, 2018	113,542,517	$ 14,195,630	$ -	$ 584,911	$ -	$(13,601,637)	$ 1,178,904

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

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

	For the three months ended		For the six months ended	
	(Unaudited) January 31 2019	(Unaudited) January 31 2018	**(Unaudited) January 31 2019**	(Unaudited) January 31 2018
Cash provided by (used for)				
Operating activities				
Net loss for the period	**$ (4,722,819)**	$ (9,348,704)	**$ (3,615,978)**	$ (9,161,372)
Items not affecting cash				
Accrued liabilities	**3,396,087**	23,796	**3,400,623**	26,054
Depreciation and amortization	**148,031**	38,804	**251,321**	67,283
Loss on sale of asset	**-**	-	**1,154**	-
Realized fair value changes in biological assets included in inventory sold	**36,605**	(12,470)	**105,262**	(27,079)
Revaluation of agent warrants	**-**	9,287,483	**-**	9,152,212
Share-based compensation	**1,078,794**	278,840	**2,004,802**	714,507
Unrealized gain on changes of fair value of biological assets	**(267,538)**	(594,927)	**(2,847,508)**	(1,336,236)
	(330,840)	(327,178)	**(700,324)**	(564,631)
Net change in non-cash working capital	**79,172**	(125,698)	**(377,082)**	38,175
	(251,668)	(452,876)	**(1,077,406)**	(526,456)
Financing activities				
Advances repaid to related parties	**(35,071)**	(120,686)	**(131,118)**	(465,655)
Issuance of shares for cash, net of share issuance costs	**1,487,920**	4,715,319	**3,542,396**	5,902,891
Promissory note repaid	**(99,004)**	(135,000)	**(99,004)**	(135,000)
Net mortgage proceeds received (repaid)	**(9,248)**	292,281	**(18,265)**	286,087
	1,344,597	4,751,914	**3,294,009**	5,588,323
Investing activities				
Advances to related parties	**-**	70,748	**-**	70,748
Acquisition of property and equipment	**(2,058,700)**	(729,486)	**(3,374,268)**	(799,242)
	(2,058,700)	(658,738)	**(3,374,268)**	(728,494)
Net increase (decrease) in cash	**(965,771)**	3,640,300	**(1,157,665)**	4,333,373
Cash, beginning of period	**1,815,439**	715,925	**2,007,333**	22,852
Cash, end of period	**$ 849,668**	$ 4,356,225	**$ 849,668**	$ 4,356,225

Supplemental cash flow information (note 16)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

THC BioMed Intl Ltd. ("THC" or the "Company") is a publicly traded company with its head office at 1340 St. Paul Street, Kelowna, British Columbia, Canada, V1Y 2E1.

The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol THC, on the Over the Counter Best Market ("OTCQX") under the symbol THCBF, and on the Frankfurt Stock Exchange under the symbol TFHC.

These condensed interim consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its five wholly owned subsidiaries: THC BioMed Ltd. (just after the close of business on July 31, 2017, THC BioMed Ltd. and THC Meds Inc. were amalgamated and the name THC BioMed Ltd. was retained), Clone Shipper Ltd., THC2GO Dispensaries Ltd. ("THC2GO"), THC Laboratories Ltd., 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 *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") in Canada. Clone Shipper Ltd. owns all rights to the Clone Shipper product used to transport live plants. THC2GO was initially incorporated for the retail business; however, Health Canada subsequently ruled that Licensed Producers were prevented from operating retail outlets. THC Lesotho was initially incorporated to seek a business opportunity in Lesotho; however, no business was transacted.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to commence profitable operations in the future. To date the Company is considered to be in the development stage. These factors create material uncertainties that may cast significant doubt about the Company being able to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Further discussion of liquidity risk has been disclosed in Note 18c.

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 Note 2 of the annual audited consolidated financial statements for the year ended July 31, 2018.

2. BASIS OF PREPARATION (continued)

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, 2018, and should be read in conjunction with those statements.

3. NEW ACCOUNTING STANDARDS ADOPTED DURING THE REPORTING PERIOD

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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated 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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) which specifies how a lease will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged for its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. Management is continuing to assess the impact of this new standard on its consolidated financial statements.

(Expressed in Canadian Dollars)

5. BIOLOGICAL ASSETS

Carrying amount, July 31, 2017	$ 362,218
Capitalized costs	893,339
Sales	(193,619)
Net write offs of cultivated assets	(525,906)
Transferred to inventory upon harvest	(160,993)
Change in fair value	480,915
Carrying amount, July 31, 2018	855,954
Capitalized costs	870,449
Sales	(163,147)
Net write offs of cultivated assets	(226,301)
Transferred to inventory upon harvest	(213,387)
Change in fair value	2,742,246
Carrying amount, January 31, 2019	**$ 3,865,814**

Biological assets are presented at their fair value less costs to sell up the point of harvest. Because there is no active commodity market for what is included in biological assets, the valuation of these biological assets is determined using valuation techniques where the inputs are based upon unobservable market data. The biological assets are classified as level 3 under the fair value hierarchy.

The valuation of biological assets is determined using a market approach where fair value at the point of harvest is estimated based on expected selling pries less the costs to sell at harvest. For biological assets that remain in process, the fair value at point of harvest is adjusted based on the stage of growth. Stage of growth is determined by reference to the remaining estimated time until the biological asset is transferred to the next stage of processing or expected destruction.

Mother plants have an average life of 4 months. Clones for sale have approximately 2 weeks before they outgrow the Clone Shipper container. Clones clipped from mother plants for growth into a flowering plant have a 6-week growth phase.

A sensitivity analysis of the impact of changes to the above significant unobservable inputs used to calculate the fair value of biological assets at January 31, 2019 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	$3,092,651	$3,479,233	$ 3,865,814	$4,252,395	$4,638,977

(Expressed in Canadian Dollars)

6. INVENTORY

Carrying amount, July 31, 2017	$ 180,716
Capitalized costs	105,244
Sales	(113,863)
Net write offs of inventory	(17,227)
Transferred from biological assets upon harvest	160,993
Carrying amount, July 31, 2018	315,863
Capitalized costs	165,151
Sales	(211,782)
Transferred from biological assets upon harvest	213,387
Carrying amount, January 31, 2019	**$ 482,619**

7. PROPERTY AND EQUIPMENT

	July 31 2017	Additions	**July 31 2018**	Additions (Dispositions)	**January 31 2019**
Cost					
Automobile equipment	$ 6,741	$ 9,630	**$ 16,371**	$ (6,741)	**$ 9,630**
Buildings	756,684	1,918,059	**2,674,743**	1,490,142	**4,164,885**
Computer equipment	54,132	11,813	**65,945**	5,135	**71,080**
Equipment	198,870	349,012	**547,882**	520,327	**1,068,209**
Furniture and fixtures	36,546	1,342	**37,888**	57,673	**95,561**
Land	422,613	1,931,126	**2,353,739**	906,357	**3,260,096**
Leasehold improvements	-	879,304	**879,304**	395,546	**1,274,850**
Software	43,840	31,334	**75,174**	5,828	**81,002**
	$ 1,519,426	$ 5,131,620	**$ 6,651,046**	$ 3,374,267	**$ 10,025,313**

	July 31 2017	Depreciation	**July 31 2018**	Depreciation	**January 31 2019**
Accumulated Depreciation					
Automobile equipment	$ 1,011	$ 3,164	**$ 4,175**	$ (999)	**$ 3,176**
Buildings	53,154	33,488	**86,642**	66,664	**153,306**
Computer equipment	35,054	13,741	**48,795**	5,423	**54,218**
Equipment	31,595	68,358	**99,953**	70,808	**170,761**
Furniture and fixtures	7,208	6,001	**13,209**	5,352	**18,561**
Leasehold improvements	-	36,620	**36,620**	92,050	**128,670**
Software	22,466	37,041	**59,507**	9,290	**68,797**
	$ 150,488	$ 198,413	**$ 348,901**	$ 248,588	**$ 597,489**
Carrying Amounts	$ 1,368,938		**$ 6,302,145**		**$ 9,427,824**

7. PROPERTY AND EQUIPMENT (continued)

During the six months ended January 31, 2019, the Company sold an automobile to an arm's length employee with a cost of $6,741, a net book value of $4,154, for proceeds of $3,000.

8. MORTGAGES PAYABLE

The Company has a mortgage payable on its first property acquired in the principal amount of $210,560. The mortgage was initially with interest at 5.50% per annum with monthly payments of $2,760 due on the 21st day of each month and due on September 21, 2015. The mortgage was extended to mature on August 21, 2018 with interest at 10% per annum starting on September 22, 2015. The mortgage has been extended again to August 21, 2021 on the same terms. At January 31, 2019, the balance payable is $147,376 (July 31, 2018 - $156,261) with accrued interest of $404 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on its second property acquired in the principal amount of $250,000. The mortgage was initially with interest at 10% per annum with monthly payments of $2,656 due on the 2nd day of each month and due on October 2, 2017. The mortgage has been extended to mature on October 2, 2020 on the same terms. At January 31, 2019, the balance payable is $ 213,942 (July 31, 2018 - $218,942) with accrued interest of $1,700 included in accounts payable and accrued liabilities.

The Company has a mortgage payable on a subsequent property acquired in the principal amount of $300,000 with interest at 10% per annum with monthly payments of $3,187 due on the 1st day of each month and due on November 1, 2022. At January 31, 2019, the balance payable is $ 289,849 (July 31, 2018 - $294,229) with accrued interest of $2,382 included in accounts payable and accrued liabilities.

9. CAPITAL COMMITMENTS

GEM Global Yield Fund LLC SCS

On March 13, 2017, the Company entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS ("GEM") for a $10 million capital commitment from GEM to invest into THC. Proceeds raised from the investment was for working capital and general corporate purposes, and in particular, to close the acquisition of the Clone Shipper assets.

THC has the right to draw down under the Capital Commitment Agreement for a term of two years to March 31, 2019. Common shares will be issued to GEM at a price per share equal to the greater of: (1) the floor price set by THC; and (2) 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 (as defined in the agreement) and approval of the CSE. GEM will hold freely trading common shares of the Company through a share lending facility provided by the current Chief Executive Officer and Chief Financial Officer.

9. CAPITAL COMMITMENTS (continued)

GEM Global Yield Fund LLC SCS (continued)

The Company entered into a promissory note to pay GEM a commission fee of $225,000 upon the earliest of: (1) 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); (2) 18 months from the date of the Capital Commitment Agreement; or (3) 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.

The promissory note was reduced by $125,996 on June 26, 2017, when subscriptions received in advance were received, net of this amount, from GEM. The remaining balance of this promissory note as at January 31, 2019 is $Nil (July 31, 2018 - $99,004).

As part of the transaction, THC agreed to issue 6,635,000 common share purchase warrants (“agent warrants”) to GEM, subject to the terms and conditions of the Capital Commitment Agreement. The agent warrants have an exercise price equal to the greater of: (1) $1.20; and (2) the market price of the common shares on the date of the issuance of the agent warrants. The agent warrants will have an exercise period of 5 years. The agent warrants’ 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 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.

As at July 31, 2017, the agent warrants were recorded as a derivative liability as the value was based on inputs that were subject to change. The agent warrants were not on a fixed for fixed basis as the number of warrants were fixed, but the exercise price was variable, as noted above.

At March 13, 2017, the $225,000 commission fee and the initial fair value of 6,635,000 agent warrants were recorded as prepaid financing fees of $4,866,965. The agent warrants had an initial fair value, calculated using the Black-Scholes option pricing model, of $4,641,965 or $0.70 per agent warrant, assuming an expected life of 5 years, a risk-free interest rate of 1.31%, an expected dividend rate of 0.00%, stock price of $0.76 and an expected annual volatility coefficient of 165%. Volatility was determined using historical stock prices.

At March 13, 2017, the initial fair value of the agent warrants of $4,641,965 (as above) was recorded as the warrant liability. At July 31, 2017, the agent warrants were revalued and had a fair value, calculated using the Black-Scholes option pricing model, of $2,416,464 or $0.36 per agent warrant, assuming an expected life of 4.6 years, a risk-free interest rate of 1.55%, an expected dividend rate of 0.00%, stock price of $0.39 and an expected annual volatility coefficient of 191%. Volatility was determined using historical stock prices. The revaluation of the agent warrants at July 31, 2017 produced a gain of $2,225,501.

On January 31, 2018, 1,000,000 agent warrants were exercised at $1.20 which reduced the warrant liability by $1,743,583.

On March 13, 2018, 250,000 agent warrants were exercised at $1.20 which reduced the warrant liability by $370,648.

9. CAPITAL COMMITMENTS (continued)

GEM Global Yield Fund LLC SCS (continued)

At March 13, 2018, the exercise price of the warrants became fixed at $1.20 per warrant and the balance of the agent warrants were revalued. The agent warrants had a fair value calculated using the Black-Scholes option pricing model of $7,961,454 or $1.48 per agent warrant, assuming an expected life of 4 years, a risk-free interest rate of 2.08%, an expected dividend rate of 0.00%, stock price of $1.60, and an expected annual volatility coefficient of 169%. Volatility was determined using historical stock prices. The revaluation of the agent warrants during the year ended July 31, 2018 produced a loss of $7,659,221.

The prepaid financing fee will be reduced on a pro-rated basis as the drawdowns occur and will be recorded in share capital as a share issuance cost. Any remaining balance at the end of the term will be expensed in profit or loss as a financing fee.

At January 31, 2019, there is $9,160,026 available for further subscriptions.

Alumina Partners (Ontario) Ltd.

On July 21, 2017, the Company announced a capital commitment from Alumina Partners (Ontario) Ltd. (“Alumina”) for up to $12,000,000 on a private placement basis completed in tranches over a twenty-four month period. Each tranche is to be a subscription of common shares and warrants referred to as a unit (“Unit”).

Following the initial subscription, the Company may request that Alumina subscribe for subsequent tranches a minimum of five trading days following the issuance of the previous tranche.

The purchase price for each Unit in each tranche will be priced at a discount of 15% to 25% to the market price of the common shares traded on the Canadian Securities Exchange (“Exchange”), or such lesser discount as dictated by Section 2.1 of Policy 6 of the Exchange. The market price of the common shares for each tranche will be defined as the price per common share formally protected and reserved by the Company’s filing of a Price Reservation Notice with the Exchange using the applicable Form 9. Alumina is not required to close a tranche if the closing price of the common shares on the Exchange determined as of the close of trading on the trading day prior to the closing date is below the market price on the corresponding Form 9.

At the closing of each tranche, the Company shall issue Alumina an amount of common share purchase warrants equal to the number of common shares subscribed by Alumina in connection with that tranche. Each warrant will permit Alumina to acquire one common share for three years from the date of closing the tranche, subject to a four month hold period from the date the warrants are issued. The exercise price of each warrant for each tranche is set at a 25% premium to the market price for the corresponding tranche.

At January 31, 2019, there have been 20 tranches for a total issuance of 15,602,770 Units (see Note 10a) for gross proceeds of $11,131,554 (July 31, 2018 – $7,631,554) leaving a balance of $868,446 available for further subscriptions.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Issued Number		Amount
Balance, July 31, 2017	103,232,631	$	5,420,535
Shares issued for cash	10,141,656		8,471,524
Share issue costs	-		(473,451)
Stock options exercised	1,604,000		451,100
Fair value of stock options exercised	-		268,462
Warrants exercised	362,903		140,625
Agent warrants exercised	1,250,000		1,500,000
Reallocation from warrant liability on exercise of agent warrants	-		2,114,231
Settlement with Jacob Securities	1,700,000		2,227,000
Balance, July 31, 2018	118,291,190		20,120,026
Shares issued for cash	7,254,017		3,500,000
Share issue costs	-		(20,167)
Stock options exercised	162,500		62,563
Fair value of stock options exercised	-		38,904
Balance, January 31, 2019	**125,707,707**	**$**	**23,701,326**

During the year ended July 31, 2017: 666,000 options were exercised at $0.10 for gross proceeds of $66,600; 250,000 options were exercised at $0.15 for gross proceeds of $37,500; 4,209,583 warrants were exercised at $0.15 for gross proceeds of $631,437; and 774,332 warrants were exercised at $0.60 for gross proceeds of $464,600. The weighted average market price during the year when options and warrants were exercised was $0.60.

On October 12, 2017, the Company issued 1,430,000 shares at $0.587 per Unit to GEM Global Yield Fund LLC SCS (“GEM”) pursuant to the Capital Commitment Agreement dated March 13, 2017 (Note 10) for gross proceeds of $839,974. In accordance with the agreement dated March 13, 2017, 6,635,000 agent warrants were also issued, exercisable at $1.20 per share until March 13, 2022. The Company recorded share issue costs of $408,812 in connection with this financing. The amount was deducted from the prepaid financing fee (Note 9).

On April 23, 2018, 1,700,000 common shares were issued with a fair value of $2,227,000 pursuant to a settlement agreement with Jacob Securities Inc.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

a) Common shares (continued)

During the year ended July 31, 2018, the Company closed 15 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 8,711,656 Units at a weighted average price of $0.8760 for total gross proceeds of $7,631,550. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of $1.3648 for a period of 36 months from the date of issue. Warrants were valued at $Nil using the residual value method. The Company paid $64,639 of share issue costs in connection with these financings.

During the year ended July 31, 2018: 584,000 options were exercised at $0.10 for gross proceeds of $58,400; 1,020,000 options were exercised at $0.385 for gross proceeds of $392,700; 362,903 warrants were exercised at $0.3875 for gross proceeds of $140,625; and 1,250,000 agent warrants were exercised at $1.20 for gross proceeds of $1,500,000. The weighted average market price during the year when options and warrants were exercised was $1.38.

During the six months ended January 31, 2019, the Company closed 5 tranches with Alumina Partners (Ontario) Ltd. The Company issued a total of 7,254,017 Units at a weighted average price of $0.48 for total gross proceeds of $3,500,000. Each Unit consists of one common share and one common share purchase warrant. Warrants issued have a weighted average exercise price of $0.77 for a period of 36 months from the date of issue. Warrants were valued at $Nil using the residual value method. The Company paid $20,167 of share issue costs in connection with these financings.

During the six months ended January 31, 2019, 162,500 options were exercised at $0.385 for gross proceeds of $62,563.

b) Escrow shares

Currently 690 common shares (July 31, 2018 – 690) are held in escrow.

c) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2017	-	$ -
Warrants issued	8,711,656	1.3648
Warrants exercised	(362,903)	0.3875
Balance, July 31, 2018	8,348,753	1.4073
Warrants issued	7,254,017	0.7744
Balance, January 31, 2019	**15,602,770**	**$ 1.1130**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

c) Warrants outstanding (continued)

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
August 9, 2020	1.52	120,967	$ 0.3875
October 2, 2020	1.68	403,226	0.9600
October 5, 2020	1.68	359,196	1.0875
October 12, 2020	1.70	355,115	1.1000
October 20, 2020	1.72	333,333	0.9400
October 23, 2020	1.73	333,333	0.9400
October 31, 2020	1.75	362,318	0.8625
November 8, 2020	1.77	513,698	0.9125
November 14, 2020	1.79	666,666	0.9375
November 23, 2020	1.82	1,488,095	1.0500
January 15, 2021	1.96	314,070	2.4900
January 24, 2021	1.98	631,313	2.4800
February 8, 2021	2.03	1,002,673	2.0800
March 2, 2021	2.09	932,835	1.6800
March 15, 2021	2.12	531,915	1.7630
September 25, 2021	2.65	1,344,086	1.1625
October 2, 2021	2.67	1,428,572	1.0875
December 10, 2021	2.86	1,449,275	0.5750
January 18, 2022	2.96	1,479,289	0.5630
January 30, 2022	2.99	1,552,795	0.5380
		15,602,770	$ 1.1130

d) Agent warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2017	-	$ -
Warrants issued	6,635,000	1.20
Warrants exercised	(1,250,000)	1.20
Balance, July 31, 2018 and January 31, 2019	**5,385,000**	**$ 1.20**

Expiry Date	Remaining Life (Years)	Number of Warrants	Exercise Price
March 13, 2022	3.11	5,385,000	$ 1.20

(Expressed in Canadian Dollars)

11. 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 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, 2017	4,999,000	$ 0.352
Options granted	1,000,000	1.100
Options exercised	(1,604,000)	(0.281)
Options cancelled	(56,250)	0.385
Balance, July 31, 2018	4,338,750	0.550
Options granted	5,550,000	0.890
Options exercised	(162,500)	0.385
Options cancelled	(75,000)	0.890
Balance, January 31, 2019	**9,651,250**	**$ 0.746**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
July 25, 2017	July 25, 2019	0.48	3,176,250	3,176,250	$ 0.385
June 4, 2018	June 4, 2020	1.34	500,000	1,000,000	$ 1.100
September 25, 2018	September 25, 2020	1.66	1,368,750	5,475,000	$ 0.890
			5,045,000	9,651,250	$ 0.746

11. SHARE-BASED COMPENSATION (continued)

On July 25, 2017, the Company granted 4,415,000 stock options to directors, certain employees, and a consultant of the Company to acquire 4,415,000 common shares of the Company with an expiry date of July 25, 2019. The options vest over 12 months with 10% at the date of grant; 15% three months from the date of grant; 25% six months from the date of grant; 25% nine months from the date of grant; and 25% 12 months from the date of grant. The options have a total fair value, calculated using the Black-Scholes option pricing model, of $1,057,001 or $0.24 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.32%, an expected dividend rate of 0.00%, a stock price of $0.375 and an expected annual volatility coefficient of 129%. Volatility was determined using historical stock prices.

On June 4, 2018, the Company granted 1,000,000 stock options to directors, certain employees, and a consultant to acquire 1,000,000 common shares of the Company with an expiry date of June 4, 2020 at $1.10 per share. The options vest over 12 months with 10% at the date of grant; 15% three months from the date of grant; 25% six months from the date of grant; 25% nine months from the date of grant; and 25% 12 months from the date of grant. The options have a total fair value, calculated using the Black-Scholes option pricing model, of $642,371 or $0.64 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.93%, an expected dividend rate of 0.00%, stock price of $1.10 and an expected annual volatility coefficient of 113%. Volatility was determined using historical stock prices.

During the year ended July 31, 2018, 56,250 stock options were cancelled that were exercisable at $0.385 per share. The options had not vested.

On September 25, 2018, the Company granted 5,550,000 stock options to directors, certain employees, and a consultant to acquire 5,550,000 common shares of the Company with an expiry date of September 25, 2020 at $0.89 per share. The options vest over 12 months with 10% at the date of grant; 15% three months from the date of grant; 25% six months from the date of grant; 25% nine months from the date of grant; and 25% 12 months from the date of grant. Options terminate immediately upon cessation of services by the optionee to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of $2,677,343 or $0.48 per option, assuming an expected life of 2 years, a risk-free interest rate of 2.20%, an expected dividend rate of 0.00%, stock price of $0.89 and an expected annual volatility coefficient of 103%. Volatility was determined using historical stock prices.

During the six months ended January 31, 2019, 75,000 stock options were cancelled that were exercisable at $0.89 per share. Only 7,500 of the options had vested.

12. REVENUE

The total revenue earned for the six months ended January 31, 2019 includes sales revenue of $753,181 (January 31, 2018 - $438,828) and consulting fees of $Nil (January 31, 2018 - $142,857).

(Expressed in Canadian Dollars)

13. GENERAL AND ADMINISTRATIVE EXPENSES

Following is a breakdown of general and administrative expenses:

	For the three months ended		For the six months ended	
	January 31 2019	January 31 2018	**January 31 2019**	January 31 2018
Automobile expenses	**$ 1,176**	$ 613	**$ 2,568**	$ 4,326
Bank charges and interest	**21,159**	32,189	**43,402**	45,857
Consulting fees	**66,185**	16,611	**75,329**	16,611
Director fees	**8,084**	14,598	**14,146**	20,722
Insurance	**10,142**	7,970	**16,587**	13,683
Investor relations	**18,341**	7,953	**29,430**	45,386
Legal and accounting	**128,443**	115,283	**264,554**	202,524
Office and sundry	**30,173**	13,027	**59,473**	25,723
Payroll	**87,820**	59,514	**163,711**	106,961
Property tax	**9,352**	739	**18,121**	3,080
Rent	**7,800**	25,884	**17,800**	52,012
Repairs and maintenance	**11,603**	56,954	**13,542**	66,390
Strata fees	**3,559**	4,229	**7,383**	7,090
Telephone	**3,783**	4,947	**8,361**	9,926
Transfer agent and filing fees	**27,329**	45,854	**31,143**	73,194
Travel	**62,286**	46,399	**70,364**	57,629
Utiliities	**3,728**	3,946	**4,491**	5,147
	$ 500,963	$ 456,710	**$ 840,405**	$ 756,261

14. 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, 2019 and 2018:

	Director Fees	**Rent**	**Salaries and Benefits**	**Share-Based Compensation**	**January 31, 2019 Total**
Ashish Dave	$ 3,500	$ -	$ -	$ 152,363	$ 155,863
Chief Executive Officer	3,500	26,000	30,000	152,363	211,863
Chief Financial Officer	3,500	41,600	30,000	152,363	227,463
Close family member	-	-	28,000	76,182	104,182
George Smitherman	3,500	-	-	152,363	155,863
	$ 14,000	**$ 67,600**	**$ 88,000**	**$ 685,634**	**$ 855,234**

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	January 31, 2018 Total
Ashish Dave	$ 4,000	$ -	$ -	$ 96,183	$ 100,183
Chief Executive Officer	4,000	12,134	81,800	96,183	194,117
Chief Financial Officer	4,000	27,734	81,800	96,183	209,717
Close family member	-	-	29,031	48,091	77,122
George Smitherman	4,000	-	-	96,183	100,183
	$ 16,000	$ 39,868	$ 192,631	$ 432,823	$ 681,322

Ashish Dave receives a director fee of $500 per month. On July 25, 2017, Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, Dr. Dave was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

The President and Chief Executive Officer ("CEO") of the Company, a director, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month and receives a director fee of $500 per month. On July 25, 2017, the CEO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

The Chief Financial Officer ("CFO"), a director of the Company, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month and receives a director fee of $500 per month. On July 25, 2017, the CFO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period. At January 31, 2019, the Company owed the CFO $753,487 (July 31, 2018 - $884,605).

The Company initially signed a month-to-month lease for premises from the CEO and CFO. 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. A security deposit of $3,467 was also paid.

The Company signed a month-to-month lease for premises from the CFO. 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, 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. A security deposit of $2,600 was also paid.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

The Company initially signed a month-to-month lease for premises from the CEO and CFO. 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. A security deposit of $2,600 was also paid.

The Company initially signed a month-to-month lease for premises from the CEO and CFO. The lease began on December 1, 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. A security deposit of $2,600 was also paid.

A close family member of the CEO works full-time in the office in Kelowna. This close family member is paid an hourly wage of $25. On July 25, 2017, this close family member was granted 250,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $59,853. On September 25, 2018, this close family member was granted 250,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $120,601 of which $76,182 vested during the period.

George Smitherman receives a director fee of $500 per month. On July 25, 2017, Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, Mr. Smitherman was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

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.

15. SEGMENTED INFORMATION

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

		January 31 2019		January 31 2018
Fair value of stock options exercised	**$**	**38,904**	$	288,647
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**29,726**	$	30,165
Interest received	**$**	**450**	$	6

17. OPERATING LEASE COMMITMENTS

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

Year Ended	Amount
2019	$ 67,600
2020	13,867
	$ 81,467

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to/from related parties, deposits, accounts payable and accrued liabilities, and promissory note payable approximate their carrying values due to the immediate or short-term nature of these instruments. The carrying value of the mortgages payable approximate their fair value as the current interest rates are in line with market interest rates.

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).

The biological assets are categorized as Level 3. The significant unobservable inputs used to fair value biological assets include estimating the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, and expected yields from the marijuana plants.

c) Financial risk management

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

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, and amounts receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. At January 31, 2019, 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.

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 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, 2019 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 has entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS for up to $10,000,000 and Alumina Partners (Ontario) Ltd. for up to $12,000,000 of which subscriptions totaling $9,160,026 (July 31, 2018 - $9,160,026) and $868,446 (July 31, 2018 - $4,368,446) are available at January 31, 2019.

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 fair value interest rate risk.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(a) Interest rate risk (continued)

Current financial assets and financial liabilities are generally not exposed to significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to cash flow interest rate risk on the promissory note payable nor the advances to/from related parties as they are without interest. The Company is not exposed to cash flow interest rate risk on the mortgages payable due to the fixed interest rates.

The Company may be exposed to fair value interest rate risk if the prevailing market rates increase or decrease compared to the interest rates associated with its financial assets and liabilities. Management does not believe this risk is significant.

(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, 2019, the Company is exposed to foreign currency risk with respect to its US and Lesotho Loti (“LSL”) denominated bank accounts and an amount held in trust in Australia.

At January 31, 2019, financial instruments were converted at a rate of $1 US dollar to $1.3144 Canadian; 10.301 LSL to $1 Canadian; and $0.9561 Australian to $1 Canadian.

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.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including positive stock market conditions, the Company’s track record, and the experience of management. The Company is not subject to any external covenants on its capital.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(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.

19. SUBSEQUENT EVENTS

On February 1, 2019, the Company secured a $500,000 commercial operating loan with Sharons Credit Union for business operating funds using the property at St. Paul Street in Kelowna, British Columbia as collateral. The interest rate is the Credit Union's Prime Lending Rate plus 1%. The loan is payable upon demand and subject to an annual review.

On February 8, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,449,275 Units at a price of $0.345 for total gross proceeds of $500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of $0.575 per share.

On February 13, 2019, the Company issued 14,074,486 earn out shares to the original shareholders of THC's predecessor companies pursuant to the Earn Out Share provisions on the original share exchange agreement for the reverse takeover taking the Company public in January of 2015. The shares were issued at a price of $0.24 per shares after apply a 25% discount as the shares are subject to a lockup agreement for 36 months from the date of issuance.

On February 28, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,623,377 Units at a price of $0.308 for total gross proceeds of $500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of $0.512 per share.

On February 28, 2019, the Company closed the acquisition of an additional strata lot in the industrial complex in Kelowna for its production facilities. The purchase price was $350,000 plus fees and taxes for a total of $367,267. The Company closed the transaction with cash and did not require a mortgage.

19. SUBSEQUENT EVENTS (continued)

On March 8, 2019, the Company granted 6,700,000 stock options to directors, certain employees, and a consultant to acquire 6,700,000 common shares of the Company with an expiry date of March 8, 2021 at $0.42 per share. The options vest over 12 months with 10% at the date of grant; 15% three months from the date of grant; 25% six months from the date of grant; 25% nine months from the date of grant; and 25% 12 months from the date of grant. Options terminate immediately upon cessation of services by the optionee to the Company. The options have a total fair value, calculated using the Black-Scholes option pricing model, of $1,486,699 or $0.22 per option, assuming an expected life of 2 years, a risk-free interest rate of 1.65%, an expected dividend rate of 0.00%, stock price of $0.41 and an expected annual volatility coefficient of 104%. Volatility was determined using historical stock prices.

On March 14, 2019, the Company closed another tranche with Alumina Partners (Ontario) Ltd. The Company issued 1,623,377 Units at a price of $0.308 for total gross proceeds of $500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 36 months from the closing at a price of $0.512 per share.

THC BIOMED INTL LTD.

Management's Discussion and Analysis

For the Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. All statements, other than statements of historical fact, made by the Company that address activities, events ,or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by, or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance, or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Company's then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management, and conflicts of interest;
- market competition and agricultural advances of competitive products;
- the timing and availability of the Company's products, its ability to expand production space, and acceptance of its products by the market;
- the ability to successfully market, sell, and distribute the products, and to expand the Company's customer base.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of THC BioMed Intl Ltd. (the "Company") for the six months ended January 31, 2019 should be read in conjunction with the condensed interim consolidated financial statements for the six months ended January 31, 2019 and the audited annual consolidated financial statements for the year ended July 31, 2018, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

THC BioMed Intl Ltd. ("THC" or the "Company") is a publicly traded company with its head office at 1340 St. Paul Street, Kelowna, British Columbia, Canada, V1Y 2E1.

The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol THC, on the Over the Counter Best Market ("OTCQX") under the symbol THCBF, and on the Frankfurt Stock Exchange under the symbol TFHC.

The consolidated financial statements include the accounts of THC BioMed Intl Ltd. and its five wholly owned subsidiaries: THC BioMed Ltd. (just after the close of business on July 31, 2017, THC BioMed Ltd. and THC Meds Inc. were amalgamated and the name THC BioMed Ltd. was retained), Clone Shipper Ltd., THC2GO Dispensaries Ltd. ("THC2GO"), THC Laboratories Ltd., 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 *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") in Canada. Clone Shipper Ltd. owns all rights to the Clone Shipper™ product used to transport live plants. THC2GO was initially incorporated for the retail business; however, Health Canada subsequently ruled that Licensed Producers are prevented from operating retail outlets. THC Lesotho was initially incorporated to seek a business opportunity in Lesotho; however, no business was transacted.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filings on SEDAR at www.sedar.com.

This MD&A is prepared as at March 29, 2019. All dollar figures stated herein are expressed in Canadian dollars unless otherwise noted.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

The Company's principal business is the production and sale of medical marijuana through THC BioMed Ltd. ("THC BioMed") which is licensed to produce and sell medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations ("ACMPR").* The Company also conducts research and development of the products and services related to cannabis for medical purposes. On November 8, 2018, the Company received a *Cannabis Act and Cannabis Regulations License* from Health Canada. This new license under the *Cannabis Act* allows the Company to grow, produce, and sell cannabis products on a large scale under the new regime.

For the Six Months Ended January 31, 2019

THC BioMed was one of the first companies cultivating and researching cannabis in Canada and has learned and perfected many aspects of how to grow superior marijuana as a consistent, clean product for clients.

THC BioMed has been selling clones to licensed medical marijuana patients since December 2016, selling dried marijuana to medical patients since August 2017, and since October 17, 2018 also provides adult-use recreational cannabis to various provinces across the country.

THC BioMed has extensive experience processing, packaging, and shipping live marijuana clones and dried marijuana. THC BioMed is one of the only Licensed Producers to offer clients live marijuana clones shipped to clients using our specially designed Clone Shipper containers. The Company has also learned how to implement modern packaging techniques that are childproof and allow for long-term storage. To date, THC BioMed has provided clients with thousands of jars of dried marijuana and live marijuana clones, shipped straight to their doors.

THC BioMed currently offers 21 medical cannabis strains, including 4 proprietary strains. Through customer feedback, as well as internal systems and external services, the Company has been able to identify patient trends related to preferred strains and tailor three proprietary strains to the needs of the client.

The Company aims to become a leader in the industry by producing a small batch product of high quality and reliable quantity.

HISTORY OF THE BUSINESS

Long before the promise of legalization took hold in Canada, THC BioMed began preparation and research into licensing requirements for commercial marijuana production in January 2012.

THC BioMed was given a rare Exemption 56 license in 2013 to research and study cannabis along with $118,000 in funding. With this license, THC BioMed was able to conduct rigorous scientific research, analyze specific phenotypes and genotypes to better identify optimal growth conditions to master aspects of growing high-quality marihuana, and achieve optimal standardization.

On January 14, 2015, THC BioMed entered into a Share Exchange Agreement between the Company, THC Meds Inc. (a sister company that was subsequently amalgamated with THC BioMed Ltd. on July 31, 2017), and Thelon Capital Ltd., a public company trading on the Canadian Securities Exchange, which resulted in a Reverse Take-Over transaction. The name of Thelon Capital Ltd. was subsequently changed to THC BioMed Intl Ltd. with the common shares listed under the symbol "THC".

Having successfully proceeded to Stage 7 of Health Canada's seven step MMPR licensing application process in January 2015, THC BioMed offered consulting services to generate revenue from other MMPR licensed applicants.

On February 18, 2016, Health Canada granted THC BioMed a license to cultivate medical marijuana under the provisions of the MMPR. THC BioMed was one of 29 licensed producers in Canada to receive this license.

Health Canada amended the license to include production of fresh marijuana, cannabis oil, and cannabis resin on May 24, 2016. Additionally, THC BioMed had successfully imported a diverse selection of seeds. The 28 cannabis strains would then be profiled for both phenotypes and genotypes to establish a national supply chain of cannabis genetics

THC BioMed received an additional amendment to their license that would allow inter-trading between Licensed Producers in order to diversify its products and services on October 17, 2016. This business to business licensing would later allow THC BioMed to generate revenue by offering various genetic strains to other licensed producers under the provisions of the ACMPR, thus setting the Company apart in the industry and making THC BioMed a pioneer in the field of genetic material.

Also, in October 2016, the parent company, THC BioMed Intl Ltd., announced entering into an exclusive distribution agreement in Canada with Clone Shipper LLP, a company specializing in packaging of a product to transport live plants. THC BioMed Intl Ltd. subsequently acquired 100% of the assets of Clone Shipper LLP in May 2018.

On December 19, 2016, Health Canada issued THC Biomed an amendment to their license that would allow the Company to sell starting materials for marijuana plants to legally authorized patients under the ACMPR.

Shortly after this announcement, THC BioMed announced that it had begun shipping live cannabis clones to registered patients and offered various genetic strains to patients under the ACMPR. THC BioMed believes that at the time it had been one of the first entities in Canada to ship live cannabis plants.

THC BioMed reached another milestone on August 24, 2017, with an amendment of its license to allow for sales and distribution of dried marijuana to patients registered under the ACMPR. This license was also renewed until February 18, 2020. This would be the longest renewal THC had seen to date, signifying confidence in its methods.

In February 2018, THC BioMed received Good Manufacturing Practices ("GMP") approval to allow the export of medical cannabis to the European Union. This certificate meets the requirements of Good Manufacturing Practices for the production of marijuana plants (propagation, growing, harvesting, drying, curing and packaging).

On July 11, 2018 the B.C. government selected THC BioMed to supply recreational adult use cannabis to Canadians beginning October 17, 2018. The government agreed to purchase approximately 2,390,200 grams of cannabis from THC BioMed in the first 12 months of legalization.

On October 17, 2018, THC BioMed contributed to the legalization and the Company's strains and pre-rolls have been on the British Columbia Liquor Distribution Branch online store's "Best Selling" list on bccannabisstores.com. Our THC Hybrid flower and THC Hybrid Pre-Rolls took the number one spots for their categories throughout the launch day.

On November 8, 2018 the Company received its *Cannabis Act and Cannabis Regulations* license from Health Canada. This license would allow us to produce and sell cannabis products on a large scale under the new regime.

THC BioMed Ltd. announced on December 3, 2018 that it had shipped its first shipment of adult-use recreational cannabis to the Province of Saskatchewan.

PRODUCTION

The Company is a small batch Licensed Producer, passionate about using organic and sustainable growing methods without the use of pesticides or exogenous chemicals. Sustainability, social value, and striving to offer an exceptional product are the driving factors that support our fundamental values as a company.

The Company operates in a sophisticated complex of indoor growing space. We cultivate in unique growing areas that allow us to maintain optimal environmental control to allow us to produce a product that is exceptionally consistent. Our team of growers is careful to only select the best nutrients, soil, and lighting and to choose to grow our product naturally in soil using organic methods. We take our time to ensure we don't lose flavour or potency but rather preserve all the terpenes that nature has to offer. We choose from only the best feminized seeds and our growers specially tend to the cannabis from seed to final product. We know that drying and curing marijuana is a critical step in the process. Our buds are hand-trimmed at the perfect time and placed on drying racks to dry and cure for an extended time.

The Company is focused on selling their proprietary strains:

- **THC Sativa** is a *proprietary landrace* Sativa strain and the dried bud contains high THC at 18%;
- **THC Indica** is a *proprietary landrace* Indica strain and the dried bud contains high THC at 25%;
- **THC Hybrid** is a *proprietary hybrid* 60/40 sativa-dominant strain and the dried bud contains high THC at 23%; and
- **THC CBD Indica** is a *proprietary Indica dominant* strain and the dried bud contains high CBD at 11%.

Medical Market

The Company is focused on selling their proprietary strains: THC Sativa, THC Indica, and THC Hybrid. The rest of the supply for the medical market will be made up of 17 other common strains which will be made in smaller batches and provide clients with a larger assortment of strains. Current packaging of dried marijuana are in jars of 10 grams, 7 grams and 3.5 grams. Our proprietary strains will be 18%-25% THC and 0% CBD. The other 17 strains will consist of both CBD and THC strains ranging from 12%-25% THC and 0%-11% CBD. Patients registered under the *Cannabis Act* and can grow at home are be able to purchase 15 different strains as clones.

Recreational Market

The Company is focused on providing its proprietary strains to the adult-use recreational market with occasional batches of its common strains. The Company has supply agreements with the provinces of Ontario, Saskatchewan and British Columbia. The Company has agreed to supply the B.C. government with 2,390,200 grams of dried cannabis. The recreational offerings include THC's proprietary strains available in 1 gram, 3.5 gram and 7 gram bottles and 30 ml cannabis oil bottles. Pre-rolled joints are available in singles (0.5 grams each) and packages of 3 (0.5 gram each). Depending on the direction of the recreational market, THC BioMed may be able to provide 15 strains of live clones to the recreational market.

MARKETING

The Company continues to develop brand recognition through a strong web presence, participation in industry events, and by providing high-quality products to medical patients and the adult-use recreational market in British Columbia, Saskatchewan and Ontario. The Company is Canada's largest supplier of legal cannabis genetics and its 0.05 gram pre-rolls are the number one seller on the BCLDB website.

Packaging

The federal government has proposed strict regulations regarding advertising, labelling, and packaging cannabis products. Restrictions on cannabis advertising and packaging are similar to what is in place today for tobacco. Advertising is restricted to locations where there are no minors with limits on displays and in-store promotion.

Our packaging for dried marijuana is in child proof 7 gram bottles, 3.5 gram bottles and smaller 1 gram bottles:

7-gram 3.5-gram 1-gram

Our packaging for cannabis oil is in in 30 ml bottles. The box size shown is 4"x 2" x2":

Our 0.05 gram pre-rolls are packaged in child proof containers.


(Expressed in Canadian Dollars)

The live clones are shipped to our medical marijuana clients using our proprietary Clone Shipper^{TM} containers:

The Clone Shipper^{TM} container is designed to support the health of clones or young live plants and hold them securely for transport purposes. Two LED lights that last over 100 hours keep the plant thriving and growing throughout the shipping process. Our Clone Shipper^{TM} container is approved by Health Canada for use in shipping cannabis clones. The Clone Shipper^{TM} container is available for sale in bulk wholesale orders and smaller retailer orders.

BIOLOGICAL ASSETS

Carrying amount, July 31, 2017	$ 362,218
Capitalized costs	893,339
Sales	(193,619)
Net write offs of cultivated assets	(525,906)
Transferred to inventory upon harvest	(160,993)
Change in fair value	480,915
Carrying amount, July 31, 2018	855,954
Capitalized costs	870,449
Sales	(163,147)
Net write offs of cultivated assets	(226,301)
Transferred to inventory upon harvest	(213,387)
Change in fair value	2,742,246
Carrying amount, January 31, 2019	**$ 3,865,814**

(Expressed in Canadian Dollars)

Biological assets are presented at their fair value less costs to sell up the point of harvest. Because there is no active commodity market for what is included in biological assets, the valuation of these biological assets is determined using valuation techniques where the inputs are based upon unobservable market data. The biological assets are classified as level 3 under the fair value hierarchy.

The valuation of biological assets is determined using a market approach where fair value at the point of harvest is estimated based on expected selling pries less the costs to sell at harvest. For biological assets that remain in process, the fair value at point of harvest is adjusted based on the stage of growth. Stage of growth is determined by reference to the remaining estimated time until the biological asset is transferred to the next stage of processing or expected destruction.

Mother plants have an average life of 4 months. Clones for sale have approximately 2 weeks before they outgrow the Clone Shipper container. Clones clipped from mother plants for growth into a flowering plant have a 6-week growth phase.

A sensitivity analysis of the impact of changes to the above significant unobservable inputs used to calculate the fair value of biological assets for the six months ended January 31, 2019 is as follows:

	20% Decrease	10% Decrease	FV	10% Increase	20% Increase
Fair value of biological assets	$ 3,092,651	$ 3,479,233	$ 3,865,814	$ 4,252,395	$ 4,638,977

INVENTORY

Carrying amount, July 31, 2017	$ 180,716
Capitalized costs	105,244
Sales	(113,863)
Net write offs of inventory	(17,227)
Transferred from biological assets upon harvest	160,993
Carrying amount, July 31, 2018	315,863
Capitalized costs	165,151
Sales	(211,782)
Transferred from biological assets upon harvest	213,387
Carrying amount, January 31, 2019	**$ 482,619**

The Company's carrying amount of biological assets and inventory has increased by $3,176,616 (January 31, 2018 - $1,433,414) since the beginning of the fiscal year.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended		Revenue		Net Income (Loss)		Income (Loss) Per Share
Q2/2019	January 31, 2019	$	474,041	$	(4,722,819)	$	(0.04)
Q1/2019	October 31, 2018	$	279,140	$	1,106,841	$	0.01
Q4/2018	July 31, 2018	$	163,883	$	(3,208,291)	$	(0.02)
Q3/2018	April 30, 2018	$	179,771	$	(89,245)	$	-
Q2/2018	January 31, 2018	$	305,448	$	(9,348,704)	$	(0.09)
Q1/2018	October 31, 2017	$	276,237	$	187,332	$	-
Q4/2017	July 31, 2017	$	21,037	$	(932,197)	$	(0.01)
Q3/2017	April 30, 2017	$	35,644	$	(740,078)	$	(0.01)

RESULTS OF OPERATIONS

Six Months Ended January 31, 2019

The Company's net loss for the six months ended January 31, 2019 was $3,615,978 compared to a net loss of $9,161,372 for the six months ended January 31, 2018.

During the six months ended January 31, 2019, the Company had sales revenue of $753,181 whereas the comparative period had sales revenue of $438,828 plus consulting fees of $142,857 for total revenue of $581,685. The revenue figures produced a gross margin of $2,890,821 in the current period versus $1,542,248 in the comparative period.

General and administrative expenses increased for the six months ended January 31, 2019 to $840,405 (January 31, 2018 - $756,261) as a direct result of the increased activity of the Company. The Company currently has 27 (January 31, 2018 – 14) employees.

Depreciation and amortization increased for the six months ended January 31, 2019 to $251,321 (January 31, 2018 - $67,283) as a direct result of acquisitions of property and equipment.

Sales and marketing increased for the six months ended January 31, 2019 to $28,945 (January 31, 2018 - $12,281) with expenses incurred for the Company's products sold on the provincial website for the recreational market.

Share-based compensation increased for the six months ended January 31, 2019 to $2,004,802 (January 31, 2018 - $714,507) with additional stock options granted and vested during the current period.

Other income and expense items totaled $3,381,326 for the six months ended January 31, 2019 versus $9,153,288 for the comparative period: the foreign exchange loss for the current period is $2,815 (January 31, 2018 - $1,296); there is the fair value of earn out shares to be issued pursuant to the Earn Out Share provisions on the original share exchange agreement for the reverse takeover taking the Company public in January of 2015 of $3,377,877 (January 31, 2018 - $Nil); there is a loss on sale of a company automobile to an arm's length employee of $1,154 (January 31, 2018 - $Nil) ; interest and other income is $450 (January 31, 2018 - $6); there is other income relating to the completion of provincial sales tax returns of $70 (January 31, 2018 - $214);and there is a revaluation of agent warrants in the comparative period of $9,152,212 with no such amount in the current period.

Three Months Ended January 31, 2019

The Company's net loss for the three months ended January 31, 2019 was $3,376,891 compared to a net loss of $9,287,104 for the three months ended January 31, 2018.

During the three months ended January 31, 2019, the Company had sales revenue of $474,041 whereas the comparative period had sales revenue of $286,400 plus consulting fees of $19,048 for total revenue of $305,448. The revenue figures produced a gross margin of $402,871in the current period versus $722,970 in the comparative period.

General and administrative expenses increased for the three months ended January 31, 2019 to $500,963 (January 31, 2018 - $456,710) as a direct result of the increased activity of the Company. The Company currently has 27 (January 31, 2018 – 14) employees.

Depreciation and amortization increased for the three months ended January 31, 2019 to $148,031 (January 31, 2018 - $38,804) as a direct result of acquisitions of property and equipment.
Sales and marketing increased for the three months ended January 31, 2019 to $21,011 (January 31, 2018 - $10,216) with expenses incurred for the Company's products sold on the provincial website for the recreational market.

Share-based compensation increased for the three months ended January 31, 2019 to $1,078,794 (January 31, 2018 - $278,840) with additional stock options vested during the current period.

Other income and expense items totaled $3,376,891 for the three months ended January 31, 2019 versus $9,287,104 for the comparative period: there is a foreign exchange gain of $479 (January 31, 2018 - $300); there is the fair value of earn out shares to be issued pursuant to the Earn Out Share provisions on the original share exchange agreement for the reverse takeover taking the Company public in January of 2015 of $3,377,877 (January 31, 2018 - $Nil); interest and other income is $442 (January 31, 2018 - $4); there is other income relating to the completion of provincial sales tax returns of $65 (January 31, 2018 - $75); and there is a revaluation of agent warrants in the comparative period of $9,287,482 with no such amount in the current period.

LIQUIDITY

The Company does not have positive cash flow from operations; accordingly, it must rely on equity financing to fund operations.

The Company has secured two capital commitments: (i) GEM Global Yield Fund LLC SCS ("GEM") for up to $10,000,000; and (ii) Alumina Partners (Ontario) Ltd. ("Alumina") for up to $12,000,000. At January 31, 2019, the remaining amounts that can be drawn down under these commitments are $9,160,026 and $868,446 respectively. The GEM capital commitment expired on March 13, 2019.

On February 1, 2019, the Company secured a $500,000 commercial operating loan with Sharons Credit Union for business operating funds using the property at St. Paul Street in Kelowna, British Columbia as collateral. The interest rate is the Credit Union's Prime Lending Rate plus 1%. The loan is payable upon demand and subject to an annual review.

The Company's cash on hand at January 31, 2019 decreased to $849,668 (July 31, 2018 - $2,007,333).

At January 31, 2019, the Company's working capital increased to $4,248,771 (July 31, 2018 - $ 2,085,573).

(Expressed in Canadian Dollars)

The Company's current asset balance of $10,287,922 (July 31, 2018 - $8,177,778) is comprised of cash of $849,668 (July 31, 2018 - $ 2,007,333); amounts receivable of $110,869 (July 31, 2018 - $4,754); goods and services tax receivable from the Canada Revenue Agency of $95,843 (July 31, 2018 - $45,978); biological assets of $3,865,814 (July 31, 2018 - $855,954); inventory of $482,619 (July 31, 2018 - $315,863); prepaid expenses and deposits of $424,956 (July 31, 2018 - $486,743), and the non-cash prepaid financing fee relating to the GEM financing of $4,458,153 (July 31, 2018 - $4,458,153).

The Company's current liabilities total $4,958,875 (July 31, 2018 - $1,634,052) is comprised of accounts payable and accrued liabilities of $4,165,418 (July 31,2018 - $612,428) of which the non-cash fair value of the earn out shares issued subsequent to January 31, 2019 of $3,377,877 was accrued; current portion of the mortgages payable of $39,970 (July 31, 2018 - $38,015); promissory note payable relating to the GEM financing of $Nil (July 31, 2018 - $99,004); and advances from related parties of $753,487 (July 31, 2018 - $884,605).

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year.

OPERATING LEASE COMMITMENTS

Future minimum lease payments on premises due in the next two years are as follows:

Year Ended	Amount
2019	**$ 119,435**
2020	**15,871**
	$ 135,306

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course of business as disclosed herein, before the Board of Directors for consideration.

OFF-BALANCE SHEET ARRANGEMENTS

None

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, 2019 and 2018:

(Expressed in Canadian Dollars)

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	January 31, 2019 Total
Ashish Dave	$ 3,500	$ -	$ -	$ 152,363	$ 155,863
Chief Executive Officer	3,500	26,000	30,000	152,363	211,863
Chief Financial Officer	3,500	41,600	30,000	152,363	227,463
Close family member	-	-	28,000	76,182	104,182
George Smitherman	3,500	-	-	152,363	155,863
	$ 14,000	**$ 67,600**	**$ 88,000**	**$ 685,634**	**$ 855,234**

	Director Fees	Rent	Salaries and Benefits	Share-Based Compensation	January 31, 2018 Total
Ashish Dave	$ 4,000	$ -	$ -	$ 96,183	$ 100,183
Chief Executive Officer	4,000	12,134	81,800	96,183	194,117
Chief Financial Officer	4,000	27,734	81,800	96,183	209,717
Close family member	-	-	29,031	48,091	77,122
George Smitherman	4,000	-	-	96,183	100,183
	$ 16,000	$ 39,868	$ 192,631	$ 432,823	$ 681,322

Ashish Dave receives a director fee of $500 per month. On July 25, 2017, Dr. Dave was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, Dr. Dave was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

The President and Chief Executive Officer ("CEO") of the Company, a director, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month and receives a director fee of $500 per month. On July 25, 2017, the CEO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

The Chief Financial Officer ("CFO"), a director of the Company, and co-founder of the THC Companies, receives a salary from the THC Companies of $5,000 per month and receives a director fee of $500 per month. On July 25, 2017, the CFO was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, the CEO was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period. At October 31, 2018, the Company owed the CFO $753,487 (July 31, 2018 - $884,605).

The Company initially signed a month-to-month lease for premises from the CEO and CFO. 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. A security deposit of $3,467 was also paid.

The Company signed a month-to-month lease for premises from the CFO. 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, 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. A security deposit of $2,600 was also paid.

The Company initially signed a month-to-month lease for premises from the CEO and CFO. 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. A security deposit of $2,600 was also paid.

The Company initially signed a month-to-month lease for premises from the CEO and CFO. The lease began on December 1, 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. A security deposit of $2,600 was also paid.

A close family member of the CEO works full-time in the office in Kelowna. This close family member is paid an hourly wage of $25. On July 25, 2017, this close family member was granted 250,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $59,853. On September 25, 2018, this close family member was granted 250,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $120,601 of which $76,182 vested during the period.

George Smitherman receives a director fee of $500 per month. On July 25, 2017, Mr. Smitherman was granted 500,000 stock options that vest over 12 months with an exercise price of $0.385 with a total fair value of $119,706. On September 25, 2018, Mr. Smitherman was granted 500,000 stock options that vest over 12months with an exercise price of $0.89 with a total fair value of $241,202 of which $152,363 vested during the period.

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.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to/from related parties, deposits, accounts payable and accrued liabilities, and promissory notes payable approximate their carrying values due to the immediate or short-term nature of these instruments. The carrying value of the mortgages payable approximate their fair value as the current interest rates are in line with market interest rates.

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).

The biological assets are categorized as Level 3. The significant unobservable inputs used to fair value biological assets include estimating the stage of growth of the marijuana up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, and expected yields from the marijuana plants.

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, and amounts receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. At January 31, 2019 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.

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 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, 2019 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 has entered into a Capital Commitment Agreement with GEM Global Yield Fund LLC SCS for up to $10,000,000 and Alumina Partners (Ontario) Ltd. for up to $12,000,000 of which subscriptions totaling $9,160,026 (July 31, 2018 - $9,160,026) and $868,446 (July 31, 2018 - $4,368,446) are available at January 31, 2019.

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.

Interest rate risk

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

Current financial assets and financial liabilities are generally not exposed to significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is not exposed to cash flow interest rate risk on the promissory note payable nor the advances to/from related parties as they are without interest. The Company is not exposed to cash flow interest rate risk on the mortgages payable due to the fixed interest rates.

The Company may be exposed to fair value interest rate risk if the prevailing market rates increase or decrease compared to the interest rates associated with its financial assets and liabilities. Management does not believe this risk is significant.

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, 2019, the Company is exposed to foreign currency risk with respect to its US and Lesotho Loti ("LSL") denominated bank accounts and an amount held in trust in Australia.

At January 31, 2019, financial instruments were converted at a rate of $1 US dollar to $1.3144 Canadian; 10.301 LSL to $1 Canadian; and $0.9561 Australian to $1 Canadian.

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

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.
The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

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.

OTHER RISKS AND UNCERTAINTIES

The Company is the development stage with respect to its medical marijuana and adult-use cannabis business.

In conducting its business, the Company is subject to a number of risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's business. The following risk factors should be carefully considered in evaluating the Company. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which the Company currently competes is very competitive and changing rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time that sufficient revenue is achieved or if a profit is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Going concern

The Company's 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 obtain the necessary financing to meet its on-going commitments and further its medical marijuana and adult-use cannabis business.

Reliance on license

The Company's ability to grow, store, and sell medical marijuana and adult-use cannabis in Canada is dependent on the license issued from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of the Company.

Regulatory risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana and adult-use cannabis but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Limited operating history

The Company has yet to generate significant revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot ensure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition.

Factors which may prevent realization of growth targets

The Company is currently in the development stage. The Company's growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging, or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions, or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes, or storms.

As a result, there is a risk that the Company may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

The Company has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Additional financing

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company will require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. The Company will require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana and adult-use cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company.

Risks inherent in an agricultural business

The Company's business involves the growing of medical marijuana and adult-use cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although the Company grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

The Company's medical marijuana and adult-use cannabis growing operations will consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavourable publicity or consumer perception

The Company believes the medical marijuana and adult-use cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana and adult-use cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana and adult-use cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to medical marijuana or adult-use cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana and adult-use cannabis in general, or the Company's products specifically, or associating the consumption of medical marijuana and adult-use cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of the Company.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana and adult-use cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations, and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect its ability to continue operating and the market price for the Company's common shares and could use significant Company resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the 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 consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

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:

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.

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 the Company's profit or loss.

Purchase price allocation

The allocation of the purchase price and subsequent costs between land and building on the acquisition of properties requires judgment. The allocations are determined using the property tax assessments when the properties are acquired.

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.

Estimated useful lives, and depreciation and amortization 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.

Income taxes

The measurement of deferred income tax assets requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the audited annual financial statements.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE REPORTING PERIOD

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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated 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. This standard was adopted for the year beginning August 1, 2018. Management has determined the change in standard will have little impact on the Company's consolidated financial statements.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) which specifies how a lease will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged for its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. Management is continuing to assess the impact of this new standard on its consolidated financial statements.

(Expressed in Canadian Dollars)

CAPITAL RESOURCES

Common shares

	Issued Number		Amount
Balance, July 31, 2017	103,232,631	$	5,420,535
Shares issued for cash	10,141,656		8,471,524
Share issue costs	-		(473,451)
Stock options exercised	1,604,000		451,100
Fair value of stock options exercised	-		268,462
Warrants exercised	362,903		140,625
Agent warrants exercised	1,250,000		1,500,000
Reallocation from warrant liability on exercise of agent warrants	-		2,114,231
Settlement with Jacob Securities	1,700,000		2,227,000
Balance, July 31, 2018	118,291,190		20,120,026
Shares issued for cash	11,950,046		5,000,000
Share issue costs	-		(32,212)
Stock options exercised	162,500		62,563
Fair value of stock options exercised	-		38,904
Earn out shares issued	14,074,486		3,377,877
Balance, March 29, 2019	**144,478,222**	**$**	**28,567,158**

Escrow Shares

Currently 690 shares (January 31, 2018 – 690) are held in escrow.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2017	-	$	-
Warrants issued	8,711,656		1.3648
Warrants exercised	(362,903)		0.3875
Balance, July 31, 2018	8,348,753		1.4073
Warrants issued	11,950,046		0.5482
Balance, March 29, 2019	**20,298,799**	**$**	**0.9785**

(Expressed in Canadian Dollars)

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
August 9, 2020	1.36	120,967	$	0.3875
October 2, 2020	1.51	403,226		0.9600
October 5, 2020	1.52	359,196		1.0875
October 12, 2020	1.54	355,115		1.1000
October 20, 2020	1.56	333,333		0.9400
October 23, 2020	1,57	333,333		0.9400
October 31, 2020	1.59	362,318		0.8625
November 8, 2020	1.61	513,698		0.9125
November 14, 2020	1.63	666,666		0.9375
November 23, 2020	1.66	1,488,095		1.0500
January 15, 2021	1.80	314,070		2.4900
January 24, 2021	1.82	631,313		2.4800
February 8, 2021	1.87	1,002,673		2.0800
March 2, 2021	1.93	932,835		1.6800
March 15, 2021	1.96	531,915		1.7630
September 25, 2021	2.49	1,344,086		1.1625
October 2, 2021	2.51	1,428,572		1.0875
December 10, 2021	2.70	1,449,275		0.5750
January 18, 2022	2.80	1,479,289		0.5630
January 30, 2022	2.84	1,552,795		0.5380
February 8, 2022	2.87	1,449,275		0.5750
February 28, 2022	2.92	1,623,377		0.5120
March 14, 2022	2.96	1,623,377		0.5120
		20,298,799	$	0.9785

Agent Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2017	-	$	-
Warrants issued	6,635,000		1.20
Warrants exercised	(1,250,000)		1.20
Balance, July 31, 2018 and March 29, 2019	**5,385,000**	**$**	**1.20**

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
March 13, 2022	2.96	5,385,000	$	1.20

(Expressed in Canadian Dollars)

Options

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2017	4,999,000	$ 0.352
Options granted	1,000,000	1.100
Options exercised	(1,604,000)	(0.281)
Options cancelled	(56,250)	0.385
Balance, July 31, 2018	4,338,750	0.550
Options granted	12,250,000	0.633
Options exercised	(162,500)	0.385
Options cancelled	(75,000)	0.890
Balance, March 29, 2019	**16,351,250**	**$ 0.612**

Date of Grant	Expiry Date	Remaining Life (Years)	Number of Options Vested	Number of Options Outstanding	Exercise Price
July 25, 2017	July 25, 2019	0.32	3,176,250	3,176,250	$ 0.385
June 4, 2018	June 4, 2020	1.18	500,000	1,000,000	$ 1.100
September 25, 2018	September 25, 2020	1.49	1,368,750	5,475,000	$ 0.890
March 8, 2019	March 8, 2021	1.94	670,000	6,700,000	$ 0.420
			5,715,000	16,351,250	$ 0.612

DIRECTORS AND OFFICERS

The Company's directors and officers as of the date of this MD&A are:

John Miller	President, Chief Executive Officer, Director
Hee Jung Chun	Chief Financial Officer, Director
George Smitherman	Independent Director
Dr. Ashish Dave	Independent Director

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.