

THC THERAPEUTICS, INC.
(formerly Harmonic Energy, Inc.)

FINANCIAL STATEMENTS

OCTOBER 31, 2017

THC THERAPEUTICS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	October 31, 2017	July 31, 2017
Current assets		
Cash	\$ 10,344	\$ 187
Prepaid	25,784	78,765
Total current assets	36,128	78,952
Deposits	-	3,208
Fixed Assets	54,361	57,377
Intangible Assets	3,944,353	4,019,763
Goodwill	1,000,000	1,000,000
Total assets	5,034,842	5,159,300
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,768	\$ 7,859
Accrued liabilities due to related parties	1,636	1,120
Advances from related parties	97,564	77,287
Notes payable	90,000	60,000
Convertible Notes payable, net	47,944	22,739
Derivative liability	130,517	141,884
Total current liabilities	376,429	310,889
Total liabilities	376,429	310,889
Stockholders' equity (deficit)		
Common stock; \$0.001 par value; 500,000,000 shares authorized; 118,785,391 and 118,778,391 shares issued and outstanding as of October 31, 2017 and July 31, 2017, respectively	118,785	118,778
Preferred stock; \$0.001 par value; 10,000,000 shares authorized; 2,165,000 and 2,165,000 series A and B shares issued and outstanding as of October 31, 2017 and July 31, 2017, respectively		
Preferred A stock; \$0.001 par value; 3,000,000 shares authorized; 2,000,000 and 2,000,000 shares issued and outstanding as of October 31, 2017 and July 31, 2017, respectively	2,000	2,000
Preferred B stock; \$0.001 par value; 165,000 shares authorized; 165,000 and 165,000 shares issued and outstanding as of October 31, 2017 and July 31, 2017, respectively	165	165
Additional paid-in capital	23,020,422	23,009,220
Accumulated deficit	(18,482,959)	(18,281,752)
Total stockholders' deficit	4,658,413	4,848,411
Total liabilities and stockholders' equity (deficit)	\$ 5,034,842	\$ 5,159,300

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

THC THERAPEUTICS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended	
	October 31, 2017	October 31, 2016
Revenues	\$ -	\$ -
Cost of revenues	-	-
Gross profit	-	-
Operating expenses		
Professional fees	19,796	4,498
Consulting fees	64,191	17,712
General and administrative expenses	22,556	3,394
Depreciation and amortization	78,426	-
Total operating expenses	184,969	25,604
Loss from operations	(184,969)	(25,604)
Other income (expense)		
Gain/(loss) on change in derivative liability	11,367	2,791
Interest Expense	(27,605)	(7,280)
Total other income (expense)	(16,238)	(4,489)
Net income (loss)	\$ (201,207)	\$ (30,093)
Basic income (loss) per common share	\$ (0.00)	\$ (0.01)
Basic weighted average common shares outstanding	65,922,939	5,399,477

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

THC THERAPEUTICS, INC.
CONSOLIDATED STATEMENT OF CASHFLOWS
(UNAUDITED)

	For the Three Months Ended	
	October 31, 2017	October 31, 2016
Cash Flows from Operating Activities		
Net loss	\$ (201,207)	\$ (30,093)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on change in derivative liabilities	(11,367)	(2,791)
Amortization of original issue discount	1,890	
Amortization of debt discount	23,315	4,150
Stock based compensation	64,190	-
Depreciation and amortization	78,426	-
Changes in assets and liabilities		
(Increase) decrease in deposits	3,208	-
Increase (decrease) in accounts payable	909	4,130
Increase (decrease) in accounts payable related party	516	17,712
Net cash from operating activities	(40,120)	(6,892)
Cash Flows from investing		
Purchase of intangible assets	-	-
Purchase of fixed assets	-	-
Net cash used in investing activities	-	-
Cash Flows from Financing Activities		
Proceeds from related party debts	33,725	6,850
Proceeds from loans	30,000	
Payments on related party debts	(13,448)	-
Net cash from financing activities	50,277	6,850
Net increase (decrease) in Cash	10,157	(42)
Beginning cash balance	187	245
Ending cash balance	\$ 10,344	\$ 203
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for tax	\$ -	\$ -
Non-Cash investing and financing transactions		
Beneficial conversion feature	\$ -	\$ -
Shares issued to settle debt	\$ -	\$ -

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

1. DESCRIPTION OF BUSINESS AND HISTORY

Description of business – THC Therapeutics, Inc., (referred to as the “Company”) is focused on developing their patent-pending product, the dHydronator®, a sanitizing herb dryer. The main function of the dHydronator is to greatly accelerate the drying time of a herb while sanitizing it. The dHydronator can be used to dry a variety of herbs, and it has been specifically tested for use with cannabis, and it will reduce the drying time for cannabis from 10-14 days to less than 14 hours. The Company is also focusing some of its operations on participation in testing facilities and developing personal wellness centers, as well as investigating other potentially disruptive technologies. The Company is seeking partnerships, mergers and acquisitions in the cannabis, health and wellness industries.

History – The Company was incorporated in the State of Nevada on May 1, 2007, as Fairytale Ventures, Inc., and later changed its name to Aviation Surveillance Systems, Inc. and Harmonic Energy, Inc. On or about January 23, 2017, the Company changed its name to THC Therapeutics, Inc.

On May 30, 2017, the Company formed Genesis Float Spa LLC, a wholly-owned subsidiary, to market its float spa assets purchased for wellness centers. The Company’s health spa plans are part of the Company’s strategic focus on revenue generation and creating shareholder value.

THC Therapeutics, Inc., together with its subsidiaries, shall herein be collectively referred to as the “Company.”

2. BASIS OF PRESENTATION AND GOING CONCERN

Basis of Presentation – The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and should be read in conjunction with the unaudited financial statements and notes thereto contained in the Company’s most recent Annual Financial Statements filed with OTCMarkets on November 17, 2017. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

Going Concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of \$18,482,959 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company’s ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

3. SUMMARY OF SIGNIFICANT POLICIES

This summary of significant accounting policies of THC Therapeutics Inc. is presented to assist in understanding the Company’s consolidated financial statements. The consolidated financial statements and notes are representations of the Company’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include estimates used to review the Company’s goodwill, impairments and estimations of long-lived assets, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, inventory valuation, and the valuations of non-cash capital stock issuances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term instruments with original maturities of three months or less to be cash equivalents. There are \$10,344 and \$187 in cash and cash equivalents as of October 31, 2017, and July 31, 2017, respectively.

Concentration Risk – At times throughout the year, the Company may maintain cash balances in certain bank accounts in excess of FDIC limits. As of October 31, 2017, the cash balance in excess of the FDIC limits was \$0. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

Fair Value of Financial Instruments – The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Revenue Recognition:

Product Sales – Revenues from the sale of products are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Costs of Revenue – Costs of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

Goodwill and Intangible Assets – The Company follows Financial Accounting Standard Board's (FASB) Codification Topic 350-10 ("ASC 350-10"), *"Intangibles – Goodwill and Other."* According to this statement, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under ASC 350-10, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

Long-Lived Assets – In accordance with the Financial Accounting Standards Board ("FASB") Accounts Standard Codification (ASC) ASC 360-10, "Property, Plant and Equipment," the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Segment Reporting – Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding the method to allocate resources and assess performance. The Company currently has one reportable segment for financial reporting purposes, which represents the Company's core business.

Income Taxes – The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, *"Income Taxes"*, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-Based Compensation – The Company follows the guidelines in FASB Codification Topic ASC 718-10 *"Compensation-Stock Compensation"*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an Employee Stock Purchase Plan based on the estimated fair values.

Stock based compensation expense recognized under ASC 718-10 for the three months ended October 31, 2017 and 2016, totaled \$64,191 and \$0, respectively.

Earnings (Loss) Per Share – The Company reports earnings (loss) per share in accordance with FASB Codification Topic ASC 260-10 “*Earnings Per Share*.” Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares (common stock equivalents) would have an anti-dilutive effect.

Advertising Costs – The Company’s policy regarding advertising is to expense advertising when incurred. The Company incurred advertising expenses of \$1,153 and \$0 during the three months ended of October 31, 2017 and 2016, respectively.

Recently Issued Accounting Pronouncements – The Company has evaluated the all recent accounting pronouncements through ASU 2017-15, and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows.

4. FIXED ASSETS

Fixed assets consist of the following as of October 31, 2017, and July 31, 2017:

	October 31, 2017	July 31, 2017
Float Spa and associated equipment	\$ 60,000	\$ 60,000
Less: accumulated depreciation	(5,639)	(2,623)
Fixed assets, net	<u>\$ 54,361</u>	<u>\$ 57,377</u>

Depreciation expense for the three months ended October 31, 2017 and 2016, was \$3,016 and \$0, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of October 31, 2017, and July 31, 2017:

	October 31, 2017	July 31, 2017
Float Spa Client List	\$ 70,000	\$ 70,000
Patents and patents pending	4,000,000	4,000,000
Trademarks	75,000	75,000
Website and domain names	25,000	25,000
Less: accumulated depreciation	(225,647)	(150,237)
Intangible assets, net	<u>\$ 3,944,353</u>	<u>\$ 4,019,763</u>

Amortization expense for the three months ended October 31, 2017, and 2016, was \$75,410 and \$0, respectively.

6. ADVANCES FROM RELATED PARTIES

Our Chief Executive Officer and a shareholder, a relative of our Chief Executive Officer, have agreed to advance funds to the Company from time to time to support the ongoing operations of the Company. The advances are due within ten (10) days of demand and bear interest at 5% annually.

Advances from related parties consist of the following as of October 31, 2017:

	Principal as of July 31, 2017	Three months ending October 31, 2017		Principal as of October 31, 2017	Accrued interest balance As of October 31, 2017
		Funds advanced	Funds repaid		
B. Romanek, President and CEO	\$71,262	\$32,225	\$13,448	\$90,039	\$1,475
Shareholder Relative of our President and CEO	\$6,025	0	1,500	7,525	161
TOTAL	<u>\$77,287</u>	<u>\$32,225</u>	<u>\$14,948</u>	<u>\$97,564</u>	<u>\$1,120</u>

7. NOTES PAYABLE

Notes Payable at consists of the following:

On May 12, 2017, the Company issued a \$60,000 promissory note; the note carries no interest rate and is payable in monthly installments of \$5,000. As of October 31, 2017, no principal installments had been paid.

On October 13, 2017, we entered into a convertible promissory note pursuant to which we borrowed \$30,000. Interest under the convertible promissory note is 25% per annum, and the principal and all accrued but unpaid interest is due in four equal quarterly payments of \$9,375. As of October 31, 2017, the Company had recorded \$370 in accrued interest.

Total

October 31,
2017

July 31,
2017

60,000

60,000

30,000

-

90,000

60,000

8. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:

On May 9, 2017, we entered into a convertible promissory note pursuant to which we borrowed \$92,500. The note carries an original issue discount of 7.5% (\$7,500). Interest under the convertible promissory note is 6% per annum, and the principal and all accrued but unpaid interest is due on May 9, 2018. The note is convertible at any date after the issuance date at the noteholder's option into shares of our common stock at a variable conversion price of 65% of the lowest closing market price of our common stock during the previous 20 days to the date of the notice of conversion. The Company recorded a debt discount in the amount of \$92,500 in connection with the initial valuation of the derivative liability of the Note to be amortized utilizing the effective interest method of accretion over the term of the Note. Further, the Company recognized a derivative liability of \$150,122 and an initial loss of \$57,622 based on the Black-Scholes pricing model.

The aggregate issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of \$25,205 and \$0 during the three months ended October 31, 2017 and 2016, respectively.

Original issue discount

Unamortized debt discount

Total, net of unamortized discount

Total

October 31,
2017

July 31,
2017

92,500

92,500

7,500

7,500

(52,056)

(77,261)

47,944

22,739

\$ 47,944

\$ 22,739

Derivative liability

The Company accounts for the fair value of the conversion features of its convertible debt in accordance with ASC Topic No. 815-15 "Derivatives and Hedging; Embedded Derivatives" ("Topic No. 815-15"). Topic No. 815-15 requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company's convertible debt. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component of results of operations. The Company values the embedded derivatives using the Black-Scholes pricing model.

The following table presents a summary of the Company's derivative liabilities associated with its convertible notes as of July 31, 2017, and October 31, 2017:

	Amount
Balance July 31, 2016	\$ 67,376
Debt discount originated from derivative liabilities	92,500

Initial loss recorded	57,622
Adjustment to derivative liability due to debt settlement	(62,513)
Change in fair market value of derivative liabilities	(13,101)
Balance July 31, 2017	<u>\$ 141,884</u>
Debt discount originated from derivative liabilities	-
Initial loss recorded	-
Adjustment to derivative liability due to debt settlement	-
Change in fair market value of derivative liabilities	(11,367)
Balance October 31, 2017	<u>\$ 130,517</u>

The Black-Scholes model utilized the following inputs to value the derivative liabilities at the date of issuance of the convertible note and at October 31, 2017:

Fair value assumptions – derivative notes:	July 31, 2017
Risk free interest rate	1.43 %
Expected term (years)	0.52
Expected volatility	363 %
Expected dividends	0 %

9. STOCK WARRANTS

The following is a summary of warrant activity during the year ended July 31, 2017, and the three months ended October 31, 2017:

	Number of Shares	Weighted Average Exercise Price
Balance, July 31, 2016	-	\$ -
Warrants granted and assumed	100,000	\$ 0.75
Warrants expired	-	-
Warrants canceled	-	-
Warrants exercised	-	-
Balance, July 31, 2017	-	\$ -
Warrants granted and assumed	30,000	\$ 2.00
Warrants expired	-	-
Warrants canceled	-	-
Warrants exercised	-	-
Balance, October 31, 2017	100,000	\$ 1.04

130,000 of the warrants outstanding as of October 31, 2017 were exercisable.

On May 9, 2017, the Company issued stock warrants to purchase 100,000 shares of its common stock to a lender as part of a financing agreement. The warrants have a strike price of \$0.75. The stock warrants were exercisable six-months from grant and have a life of 3 years. The stock warrants were valued at \$51,050 using the Black-Scholes option pricing model. The Company recorded an expense of \$50,050 for the year ended July 31, 2017. The valuation was made using the following assumptions: stock price at grant: \$0.51; exercise price: \$0.75; term: 3 years; risk-free interest rate: 1.57%; volatility: 434%.

On October 13, 2017, the Company issued stock warrants to purchase 30,000 shares of its common stock to a lender as part of a financing agreement. The warrants have a strike price of \$2.00. The stock warrants were exercisable immediately upon grant and have a life of 3 years. The stock warrants were valued at \$8,497 using the Black-Scholes option pricing model. The valuation was made using the following assumptions: stock price at grant: \$0.34; exercise price: \$2.00; term: 3 years; risk-free interest rate: 1.64%; volatility: 434%.

10. SHAREHOLDERS' DEFECIT

Overview

The Company's authorized capital stock consists of 500,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of

\$0.001 par value preferred stock.

As of October 31, 2017, and July 31, 2017, the Company had 118,785,391 and 118,778,391 shares of common stock issued and outstanding, respectively.

As of October 31, 2017, and July 31, 2017, the Company had 2,000,000 and 2,000,000 shares of Series A Preferred Stock issued and outstanding, respectively.

As of October 31, 2017, and July 31, 2017, the Company had 165,000 and 165,000 shares of Series B Preferred Stock issued and outstanding, respectively.

On January 23, 2017, the Company increased its number of authorized shares of common stock from 100,000,000 to 500,000,000, and authorized 10,000,000 shares of preferred stock, with the Company's board of directors having authority to designate the rights and preferences of each series of preferred stock.

Series A Preferred Stock

On January 24, 2017, pursuant to Article III of our Articles of Incorporation, the Company designated a class of preferred stock, the "Series A Preferred Stock," consisting of three million (3,000,000) shares, par value \$0.001.

Under the Certificate of Designation, holders of the Series A Preferred Stock are entitled at their option to convert their preferred shares into common stock at a conversion rate of one hundred (100) shares of common stock for every one (1) share of Series A Preferred Stock. The holders are further entitled to vote together with the holders of the Company's common stock on all matters submitted to shareholders at a rate of one hundred (100) votes for each share held. The holders are entitled to equal rights with our common stockholders as it relates to liquidation preference.

Series B Preferred Stock

On May 12, 2017, pursuant to Article III of our Articles of Incorporation, the Company designated a class of preferred stock, the "Series B Preferred Stock," consisting of up to one hundred twenty thousand (120,000) shares, par value \$0.001. On June 5, 2017, the Company amended the designation to increase the number of shares of Series B Preferred Stock to one hundred sixty-five thousand (165,000) shares, par value \$0.001.

Under the Certificate of Designation, as amended, holders of Series B Preferred Stock are entitled to a liquidation preference on the stated value of \$1.00 per share. The shares carry a mandatory conversion provision, and all shares of Series B Preferred Stock will be redeemed by the Company one year from issuance, at a variable conversion rate equal to the stated price of \$1.00 divided by the prior day's closing price as quoted on OTC Markets. Holders of Series B Preferred Stock are not entitled to any voting or dividend rights.

Issuances of Common and Preferred Stock for the three months ended October 31, 2017

On August 10, 2017, the Company issued 5,000 shares of common stock to a consultant for services rendered. The shares were fair valued at \$1,740 at the date of grant.

On August 28, 2017, the Company issued 2,500 shares of common stock to a consultant for services rendered. The shares were fair valued at \$973 at the date of grant.

11. COMMITMENTS AND CONTINGENCIES

The Company does not own any real property. It does own personal property, and it leases office space on a month-to-month basis. There is no obligation for this arrangement to continue.

12. SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to July 31, 2017 to the date these financial statements were available to be issued, and has determined that it does not have any material subsequent events to disclose in these financial statements other than the events described below.

Effective November 20, 2017, the Company entered into a Joint Venture Agreement with ADVFN plc of the United Kingdom ("ADVFN") to create a joint venture entity, MJAC InvestorsHub International Conferences Limited, to be owned 50/50 by the Company and ADVFN. A copy of the agreement can be viewed on the Company's website at <http://thctherapeutics.com/wp->

content/uploads/2017/03/MJAC%20JV%20agreement%2020-11-17%20opt2.pdf.