

SUN VALLEY CLINICS

CONDENSED INTERIM COMBINED JOINT VENTURE FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN UNITED STATES DOLLARS)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim combined joint venture financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these unaudited condensed interim combined joint venture financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

SUN VALLEY CLINICSUnaudited Condensed Interim Combined Joint Venture Statements of Financial Position
(Expressed in United States Dollars)

	As at September 30, 2018	As at December 31, 2017
	\$	\$
<u>ASSETS</u>		
Current assets		
Cash	10,466	26,044
Due from a related party (Note 8)	-	49,333
	10,466	75,377
Deposits	20,132	17,594
Property and equipment (Note 7)	105,807	136,751
Total Assets	136,405	229,722
<u>LIABILITIES</u>		
Current liabilities		
Accrued liabilities	4,619	8,487
Due to related parties (Note 8)	270,060	109,559
Lease inducement - current portion	3,470	1,766
	278,149	119,812
Lease inducement - non-current portion	21,040	23,770
Total Liabilities	299,189	143,582
<u>MEMBERS' EQUITY</u>		
Members' units (Note 9)	928,182	767,121
Accumulated deficit	(1,090,966)	(680,981)
Total Members' (Deficiency) Equity	(162,784)	86,140
Total Liabilities and Members' Equity	136,405	229,722

Nature of operations and going concern (Note 1)

Lease (Note 10)

Contingency (Note 11)

Approved on behalf of the Board of Members:

"Chris Carl"Chris Carl
Member"Andrea Klein"Andrea Klein
Member

The accompanying notes are an integral part of these unaudited condensed interim combined joint venture financial statements.

SUN VALLEY CLINICS

Unaudited Condensed Interim Combined Joint Venture Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue	\$ 171,383	\$ 111,138	\$ 555,067	\$ 249,240
Expenses				
Salaries, wages and benefits	196,012	197,526	588,541	384,198
Rent and utilities	37,964	51,968	114,170	74,813
Office expenses	20,357	63,979	85,316	99,267
Management fees	24,000	-	72,000	39,821
Advertising expenses	13,411	37,595	55,611	56,255
Depreciation (Note 7)	10,647	2,568	32,810	16,522
Bank fees and interest expense	3,280	3,387	11,059	5,184
Professional fees	3,393	44,710	9,471	47,206
Total Expenses	309,064	401,733	968,978	723,266
Net Loss and Comprehensive Loss	(137,681)	(290,595)	(413,911)	(474,026)

The accompanying notes are an integral part of these unaudited condensed interim combined joint venture financial statements.

SUN VALLEY CLINICS

Unaudited Condensed Interim Combined Joint Venture Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Expressed in United States Dollars)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
<u>Operating Activities</u>		
Net loss for the period	(413,911)	(474,026)
Adjustments:		
Depreciation (Note 7)	32,810	16,522
	(381,101)	(457,504)
Net changes in non-cash working capital items:		
Deposits	(2,538)	(12,594)
Accrued liabilities	(3,868)	38,028
Due to related parties (Note 8)	209,834	243,708
Lease inducement - operating lease expense payment	(1,026)	24,046
Net change in non-cash working capital items	202,402	293,188
Net cash flows (used in) operating activities	(178,699)	(164,316)
<u>Financing Activities</u>		
Proceeds received from members' units issued (Note 9)	-	300,000
Members' contributions	164,987	-
Net cash flows from financing activities	164,987	300,000
<u>Investing Activities</u>		
Purchases of property and equipment (Note 7)	(1,866)	(137,137)
Net cash flows used in investing activities	(1,866)	(137,137)
(Decrease) increase in cash	(15,578)	(1,453)
Cash, beginning of period	26,044	26,711
Cash, end of period	10,466	25,258

The accompanying notes are an integral part of these unaudited condensed interim combined joint venture financial statements.

SUN VALLEY CLINICS

Unaudited Condensed Interim Combined Joint Venture Statements of Changes in Members' Equity
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

	Number of units	Members' units	Accumulated deficit	Total
	#	\$	\$	\$
Balance, December 31, 2016	1,000	100,000	(55,059)	44,941
Issuance of members' units (Note 9)	3,000	300,000	-	300,000
Net loss and comprehensive loss for the period	-	-	(474,026)	(474,026)
Balance, September 30, 2017	4,000	400,000	(529,085)	(129,085)
Balance, December 31, 2017	5,714	767,121	(680,981)	86,140
Members' contributions	-	161,061	3,926	164,987
Net loss and comprehensive loss for the period	-	-	(413,911)	(413,911)
Balance, September 30, 2018	5,714	928,182	(1,090,966)	(162,784)

The accompanying notes are an integral part of these unaudited condensed interim combined joint venture financial statements.

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sun Valley Clinics (“Sun Valley” or the “Clinics”) consist of Sun Valley Alternative Health Centers NV L.L.C. (“Sun Valley Nevada Clinic”), Sun Valley Alternative Health Centers Mesa L.L.C. (“Sun Valley Mesa Clinic”), Sun Valley Alternative Health Centers NV Tucson L.L.C. (“Sun Valley Tucson Clinic”) and Sun Valley Alternative Health Centers Hollywood, L.L.C. (“Sun Valley Hollywood Clinic”). The Clinics provide cannabis certification and medical care to patients in the United States (“US”) and operate the four Medical Marijuana Patient Testing clinics in the States of Nevada, Arizona and Florida. The Clinics are established as separate Limited Liability Companies (“LLC”), which are governed by their Operating Agreements and are managed by their owners (“Members”). Profit and loss allocations and cash distributions of each LLC are in accordance with their ownership percentages.

On November 11, 2016, Sun Valley Certification Clinics Holdings, LLC (“Sun Valley Holdings”) entered into a Purchase Option Agreement with Green Global Properties Inc. (“Green Global”), a wholly-owned subsidiary of Aura Health Corp. (“Aura”), whereby Green Global has the option to acquire a 30% interest in each of the next ten clinics that Sun Valley Holdings opens in the US for \$100,000 per clinic. Provided that Green Global already owns 30% of a clinic, it has a further option within 18 months from the opening date of each clinic to acquire an additional 21% of that clinic for \$100,000 and increase its ownership to 51%. The Purchase Option Agreement between Sun Valley Holdings and Green Global on the Clinics is considered to be a joint venture.

As at September 30, 2018, the Clinics had a working capital deficiency of \$267,683 (December 31, 2017 – working capital deficiency of \$44,435), had not yet achieved profitable operations and had accumulated losses of \$1,090,966 (December 31, 2017 – accumulated losses of \$680,981). There is no assurance that the Clinics can obtain additional financing and if the Clinics’ operations will be profitable, and as such, there is an uncertainty with respect to the Clinics’ ability to continue as a going concern.

The Clinics are dependent upon the achievement of profitable operations or the obtaining of additional financing to support operations and to discharge their liabilities as they come due. These unaudited condensed interim combined joint venture financial statements have been prepared on the basis that the Clinics will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Clinics were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited condensed interim combined joint venture financial statements have been prepared in conformity with IAS 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements, and should be read in conjunction with the Clinics’ combined joint venture financial statements for the year ended December 31, 2017.

These unaudited condensed interim combined joint venture financial statements were reviewed, approved and authorized by the Board of Members of the Clinics on November 28, 2018.

b) Basis of presentation

These unaudited condensed interim combined joint venture financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

2. BASIS OF PRESENTATION (continued)

c) Functional currency

These unaudited condensed interim combined joint venture financial statements are presented in US dollars, which is the Clinics' functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of combination

These unaudited condensed interim combined joint venture financial statements include the accounts of:

- Sun Valley Alternative Health Centers NV, L.L.C. ("Sun Valley Nevada Clinic")⁽¹⁾;
- Sun Valley Alternative Health Centers Mesa, L.L.C. ("Sun Valley Mesa Clinic")⁽²⁾;
- Sun Valley Alternative Health Centers Tucson, L.L.C. ("Sun Valley Tucson Clinic")⁽³⁾, and
- Sun Valley Alternative Health Centers Hollywood, L.L.C. ("Sun Valley Hollywood Clinic")⁽⁴⁾.

(1) Sun Valley Nevada Clinic was formed as a LLC on August 30, 2016 and began operations on September 21, 2016.

(2) Sun Valley Mesa Clinic was formed as a LLC on January 4, 2017 and began operations on April 24, 2017.

(3) Sun Valley Tucson Clinic was formed as a LLC on January 4, 2017 and began operations on May 22, 2017.

(4) Sun Valley Hollywood Clinic was formed as a LLC on May 12, 2017 and began operations on August 11, 2017.

b) Financial instruments

Financial assets

All financial assets are initially classified as financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income (loss) and financial assets at amortized costs, as appropriate.

Financial assets classified as FVTPL are measured at fair value with realized gains and losses recognized through profit or loss. As at September 30, 2018, the Clinics' cash is classified as FVTPL.

Financial assets classified as loans and receivables are measured at amortized cost. The Clinics' due from related party and deposits are classified as loans and receivables.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities consist of accounts payable and accrued liabilities and unearned interest revenue.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Fair value hierarchy

The Clinics classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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).

As at September 30, 2018 and December 31, 2017, the Clinics did not have any financial instruments measured at fair value after initial recognition.

d) Property and equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight-line basis as follows:

- Computer equipment: 5 years
- Furniture and fixtures: 7 years
- Leaseholds improvements: 15 years (Sun Valley Nevada Clinic) and lease term of 39 years; 5 years (Sun Valley Mesa Clinic) and lease term of 3 years; and 5.5 years (Sun Valley Tucson Clinic) and lease term of 3 years, whichever is shorter.

An asset's residual value, useful life and depreciation method are reviewed at each reporting date and adjusted if appropriate. When parts of an item of equipment have different useful lives, the components are accounted for as separate items of equipment.

e) Revenue recognition

Revenue from patient examination and the issuance of medical-use certificates is measured based on the consideration or prices charged and collected by the Clinics from its customers, net of discounts and sales taxes. The revenue generated by the Clinics and the service delivery occur at the same time. There is no incremental cost of obtaining a contract and no cost directly related to fulfilling a contract with a customer. The adoption of IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) has no significant impact to the Clinics’ unaudited condensed interim combined joint venture financial statements.

f) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements

For the nine months ended September 30, 2018 and 2017

(Expressed in United States Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Provisions

Provisions are recognized when the Clinics have a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provisions due to passage of time is recognized as interest expense.

As at September 30, 2018 and December 31, 2017, the Clinics had no material provisions.

h) Income taxes

The Clinics file as a partnership and thus are not considered taxable entities. The results of its operations are included in the tax returns of the Partners. Accordingly, income taxes are not reflected in the unaudited condensed interim combined joint venture financial statements.

i) Adoption of new and revised standards and interpretations

New standards and interpretations

The Clinics had adopted the following new standards, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Clinics' unaudited condensed interim combined joint venture financial statements:

- IFRS 9 – Financial Instruments (“IFRS 9”) was issued in final form in July 2014 by the IASB and replaces IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions.
- IFRS 15 was issued by IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers.

Recent accounting pronouncements

At the date of authorization of these unaudited condensed interim combined joint venture financial statements, the IASB and the IFRS Interpretations Committee have issued certain new and revised standards and interpretations which are not yet effective. Many are not applicable or do not have a significant impact to the Clinics and have been excluded from the list below.

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Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Adoption of new and revised standards and interpretations (continued)

Recent accounting pronouncements (continued)

- IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases (“IAS 17”). Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset’s use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 is also applied.

The Clinics had not early adopted and are still assessing the impact of the adoption of this standard to the unaudited condensed interim combined joint venture financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these unaudited condensed interim combined joint venture financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim combined joint venture financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Areas where significant judgment is involved in making estimates include the forecasting of future cash flows for assessing the going concern assumption.

5. CAPITAL MANAGEMENT

The Clinics manage their capital structure and make adjustments to them, based on the funds available to the Clinics, in order to support the development of their planned business activities. The Board of Managers does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Clinics will spend their existing working capital and raise additional funds as needed. Management reviews their capital management approach on an ongoing basis and believes that this approach, given the relative size of the Clinics, is reasonable.

The Clinics consider their capital to be members’ equity, which is comprised of members’ units issued and accumulated deficit, which as at September 30, 2018, was at a deficiency amount of \$162,784 (December 31, 2017 –\$86,140).

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements

For the nine months ended September 30, 2018 and 2017

(Expressed in United States Dollars)

5. CAPITAL MANAGEMENT (continued)

The Clinics' objective when managing capital is to obtain adequate levels of funding to support their business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of their business. The Clinics raise capital from their Members, as necessary, to meet their needs and take advantage of perceived opportunities and, therefore, do not have a numeric target for their capital structure. There can be no assurance that the Clinics will be able to continue raising equity capital in this manner.

The Clinics are not subject to externally imposed capital requirements.

6. RISK FACTORS

Fair value

The carrying amount of cash, due from/to related parties, accounts payables and accrued liabilities approximate fair value due to the relative short maturity of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Clinics' credit risks are primarily attributable to cash and deposits. Cash is held with reputable financial institutions in the US. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

Liquidity risk

Liquidity risk is the risk that the Clinics will not have sufficient cash resources to meet its financial obligations as they come due. The Clinics currently generate cash flow primarily from financing activities. As at September 30, 2018, the Clinics had combined current assets of \$10,466 (December 31, 2017 – \$75,377) to settle combined current liabilities of \$278,149 (December 31, 2017 – \$119,812). The current liabilities are due within one year of the reporting date.

Foreign currency risk

The Sun Valley Clinics operate in US Dollars and have no foreign operations or reporting subsidiaries.

SUN VALLEY CLINICS

Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
For the nine months ended September 30, 2018 and 2017
(Expressed in United States Dollars)

7. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$
Cost at:				
December 31, 2017	17,670	16,222	127,107	160,999
Additions	-	1,866	-	1,866
June 30, 2018	17,670	18,088	127,107	162,865
Accumulated depreciation at:				
December 31, 2017	2,670	2,564	19,014	24,248
Additions	2,353	2,817	27,640	32,810
September 30, 2018	5,023	5,381	46,654	57,058
Net book value at:				
December 31, 2017	15,000	13,658	108,093	136,751
September 30, 2018	12,647	12,707	80,453	105,807

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes the Clinics' Board of Managers who has authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The Clinics entered into management agreements with Sun Valley Alternative Health Centers L.L.C. The Clinics and Sun Valley Alternative Health Centers L.L.C. are parties under common control. The Clinics will pay Sun Valley Alternative Health Centers L.L.C. a monthly management fee in exchange for services provided to the Clinics, equal to \$2,000 per clinic for a total of \$8,000 per month. For the nine months ended September 30, 2018, the management fee expensed to Sun Valley Alternative Health Centers L.L.C. was \$72,000 (2017 – \$39,821). As at September 30, 2018, the amount due to Sun Valley Alternative Health Centers L.L.C., including total accrued management fees of \$138,667 (December 31, 2017 – \$66,667), was \$270,060 (December 31, 2017 – \$109,559).

Total key management compensation paid to the Board of Managers amounts to \$nil for the nine months ended September 30, 2018 (2017 – \$nil).

As at December 31, 2017, the Clinics had a receivable from Sun Valley Holdings for a total amount of \$49,333, representing funds that Green Global advanced under the terms of the Option Agreement for the issuance of the new units on December 28, 2017. During the nine months ended September 30, 2018, these funds had been transferred to the Clinics.

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Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements
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(Expressed in United States Dollars)

9. MEMBERS' UNITS

Based on the Operating Agreement between Green Global and Sun Valley Holdings, the Clinics have total authorized members' units of 2,040.90 each or total of 8,163.60 as at September 30, 2018 (December 31, 2017 – 2,040.90 each). As at September 30, 2018, the Clinics had a total of 5,714.40 members' units (December 31, 2017 – 5,714.40 units) issued and outstanding, respectively.

The following outlines the members' units that are issued and outstanding for all clinics as at September 30, 2018 and 2017:

	September 30, 2018		September 30, 2017	
	# *	\$	#	\$
Balance, beginning of year	5,714	767,121	1,000	100,000
Members' contributions	-	161,061	-	-
New units issued from the initial completion of 30% interest – Green Global	-	-	3,000	300,000
Balance, end of period	5,714	928,182	4,000	400,000

*Rounded to the nearest number.

On November 17, 2016, Green Global completed its acquisition of a 30% interest in the Sun Valley Nevada Clinic for \$100,000 under the terms of the option agreement.

On December 30, 2016, Green Global paid a non-refundable deposit of \$50,000 for the acquisition of a 15% interest in the Sun Valley Mesa Clinic under the terms of the option agreement. On March 7, 2017, Green Global completed its acquisition of a 30% interest in the Sun Valley Mesa Clinic by paying the remaining \$50,000 of acquisition cost under the terms of the option agreement.

On March 14, 2017, Green Global advanced an initial \$50,000 deposit for a 15% interest in the Sun Valley Tucson Clinic. On April 18, 2017, Green Global completed its acquisition of a 30% interest in the Sun Valley Tucson Clinic under the terms of the option agreement by making a payment of \$50,000.

On July 24, 2017, Green Global advanced an initial \$50,000 deposit for a 15% interest in the Sun Valley Hollywood Clinic. On August 2, 2017, the Green Global advanced an additional \$50,000 and completed its acquisition of a 30% interest in the Sun Valley Hollywood Clinic under the terms of the option agreement.

On December 28, 2017, each clinic authorized the issuance of 612.30 new units, as consideration for the capital contributed by Green Global and Sun Valley Holdings for total proceeds of \$110,094 and \$257,027, respectively, in a manner consistent with the Operating Agreement between Green Global and Sun Valley Holdings.

10. LEASES

The Clinics entered into lease agreements for the premises which they currently operate for the following terms:

Location	Year opened	Term	Option to renew
Las Vegas, Nevada	2016	3 years and 1 month	None
Mesa, Arizona	2017	5 years	5 years
Tucson, Arizona	2017	5 years and 5 months	5 years
Hollywood, Florida	2017	5 years	5 years

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Notes to the Unaudited Condensed Interim Combined Joint Venture Financial Statements

For the nine months ended September 30, 2018 and 2017

(Expressed in United States Dollars)

10. LEASES (continued)

As at September 30, 2018, the future minimum lease payments under the non-cancellable operating leases are payable as follows:

2019	\$	85,764
2020		76,881
2021		79,374
2022		62,549
		<hr/>
		\$ 304,568

11. CONTINGENCY

On August 25, 2017, the City of Fort Lauderdale (the “City”) initiated a code enforcement case, Case No. CE17082150 (the “Case”) against 3267 Davie Boulevard (the “Property”) based upon an unspecified complaint. The Property is leased by the Sun Valley Hollywood Clinic. On November 8, 2017, the City conducted an initial inspection of the Property and advised the onsite manager of the Sun Valley Hollywood Clinic that a Business Tax Receipt (“BTR”) is required before any business can operate. A BTR is a tax and is not regulatory in nature. City records also indicate that the Property did not have sign permits as required.

On December 6, 2017, the Sun Valley Hollywood Clinic sent a letter of response to the Code Enforcement Division regarding the Case. As at December 31, 2017, the City considered the Case open and was pursuing it; however, at that time the City had not issued a formal Notice of Violation which could result in per diem fines.

As at December 31, 2017, the City indicated it believed it had claims against the Sun Valley Hollywood Clinic for violation of Code §§15-39 (operating without a BTR), 47-22.3 (window signs exceeding code limitations), 47-22.9 (unpermitted signs), and 47-18.46 (operation of a medical cannabis dispensing facility). Management believes that it has viable defenses to any claim for violation of Code §47-18.46.

On May 17, 2018, the Sun Valley Hollywood Clinic obtained its business license and the sign permits. As these permits are approved, the Case against Sun Valley Hollywood Clinic had been closed.