GLOBAL HEALTH CLINICS LTD.
(Formerly Leo Resources Inc.)

Consolidated Financial Statements

Year Ended July 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Health Clinics Ltd. (formerly Leo Resources Inc.):

We have audited the accompanying consolidated financial statements of Global Health Clinics Ltd., which comprise the consolidated statements of financial position as at July 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Health Clinics Ltd. as at July 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Global Health Clinics Ltd.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 29, 2018

Global Health Clinics Ltd. (formerly Leo Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at July 31,		2018		2017
ASSETS				
Current assets				
Cash	**$**	**2,582,656**	$	4,641,327
Account receivable (note 8)		**82,521**		52,880
Prepaid expenses (note 9)		**-**		1,192,040
Total current assets		**2,665,177**		5,886,247
Non-current assets				
Investment in Green Life Clinics Inc. (note 11)		**3,225,000**		3,225,000
Due from Green Life Clinics Inc. (note 11)		**1,496,857**		976,250
Due from Medical Cannabis Resource Centre Inc. (note 11)		**652,319**		35,000
Due from related party (note 12)		**50,000**		50,000
Total non-current assets		**5,424,176**		4,286,250
Total assets	**$**	**8,089,353**	$	10,172,497
EQUITY AND LIABILITIES				
Current liabilities				
Amounts payable and other liabilities (notes 10 and 12)	**$**	**299,856**	$	400,692
Total current liabilities		**299,856**		400,692
Shareholders' equity				
Share capital (note 13)		**7,878,425**		7,878,425
Subscription receivable (note 13)		**-**		(7,000)
Reserves		**5,788,503**		4,633,873
Accumulated deficit		**(5,877,431)**		(2,733,493)
Total shareholders' equity		**7,789,497**		9,771,805
Total liabilities and shareholders' equity	**$**	**8,089,353**	$	10,172,497

Nature of operations (note 1)
Going concern (note 2)
Subsequent Events (note 17)

Approved on behalf of the Board of Directors:

"Terry Roycroft" (signed) Director
Terry Roycroft, Director

"Anthony Jackson" (signed) Director
Anthony Jackson, Director

The notes to the consolidated financial statements are an integral part of these statements.

Global Health Clinics Ltd. (formerly Leo Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Years Ended July 31,		**2018**		**2017**
Operating Expenses				
Bank charges	**$**	**9,608**	$	3,179
Consulting fees (note 12)		**1,583,913**		1,025,887
Filing and listing fees		**33,382**		13,100
Legal and professional fees		**49,983**		55,258
Management and director fees (note 12)		**44,033**		211,667
Marketing fees		**3,060**		681,085
Shareholder information		**1,517**		351
Office and general expenses		**185,422**		102,939
Transfer agent fees (note 12)		**18,771**		4,235
Stock-based compensation (note 13)		**1,154,630**		-
Loss before other item		**(3,084,319)**		(2,097,701)
Write-off of exploration and evaluation assets		**-**		(44,795)
Transaction costs (note 11)		**(59,619)**		-
Net loss and comprehensive loss	**$**	**(3,143,938)**	$	(2,142,496)
Basic and diluted net loss per share (Note 14)	**$**	**(0.12)**	$	(0.42)
Weighted average number of common shares outstanding - basic and diluted		**30,838,916**		5,039,784

The notes to the consolidated financial statements are an integral part of these statements.

Global Health Clinics Ltd. (formerly Leo Resources Inc.)

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended July 31,		2018		2017
Operating activities				
Net loss for the year	**$**	**(3,143,938)**	$	(2,142,496)
Item not affecting cash:				
Write-off of exploration and evaluation assets		**-**		44,795
Stock-based compensation (note 13)		**1,154,630**		
Changes in non-cash working capital items:				
Prepaid expenses		**1,192,040**		(1,192,040)
GST recoverable		**(29,641)**		(50,669)
Amounts payable and other liabilities		**(100,836)**		382,634
Due to related party		**-**		(62,599)
Net cash used in operating activities		**(927,745)**		(3,020,375)
Investing activities				
Investment in Green Life Clinics		**-**		(3,225,000)
Due from Green Life Clinic Inc.		**(520,607)**		(976,250)
Due from Medicinal Cannabis Resources Centre		**(617,319)**		(35,000)
Net cash used in investing activities		**(1,137,926)**		(4,236,250)
Financing activities				
Shares issued for private placements		**-**		13,925,250
Share issuance costs		**-**		(2,227,378)
Warrants exercised		**-**		198,125
Subscription received		**7,000**		-
Due to GreenBank Capital Inc.		**-**		2,728
Net cash provided by financing activities		**7,000**		11,898,725
Net change in cash		**(2,058,671)**		4,642,100
Cash (bank indebtedness), beginning of year		**4,641,327**		(773)
Cash, end of year	**$**	**2,582,656**	$	4,641,327

The notes to the consolidated financial statements are an integral part of these statements.

Global Health Clinics Ltd. (formerly Leo Resources Inc.)

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Share Capital		Preferred Share Capital		Reserves			Subscriptions receivable		
	Number of shares	Amount	Number of shares	Amount	Share-based payments	Warrants	Contributed surplus	Amount	Deficit	Total
Balance, July 31, 2016	**1,049,416**	**$ 403,001**	**20,000**	**$ 100,000**	**$ 11,235**	**$ 80,000**	**$ 15,065**	**$ -**	**$ (590,997)**	**$ 18,304**
Cancelled options (note 13)	-	-	-	-	(11,235)	-	11,235	-	-	-
Private placements (note 13)	29,064,500	9,791,138	-	-	-	4,141,112	-	(7,000)	-	13,925,250
Finder's fee (note 13)	-	(2,720,544)	-	-	-	493,166	-	-	-	(2,227,378)
Warrants exercised (note 13)	725,000	304,830	-	-	-	(106,705)	-	-	-	198,125
Net loss for the year	-	-	-	-	-	-	-	-	(2,142,496)	(2,142,496)
Balance July 31, 2017	**30,838,916**	**$ 7,778,425**	**20,000**	**$ 100,000**	**$ -**	**$ 4,607,573**	**$ 26,300**	**$ (7,000)**	**$ (2,733,493)**	**$ 9,771,805**
Subscription received	-	$ -	-	$ -	$ -	$ -	$ -	$ 7,000	$ -	$ 7,000
Stock-based compensation (note 13)					1,154,630					1,154,630
Net loss for the year	-	-	-	-	-	-	-	-	(3,143,938)	(3,143,938)
Balance, July 31, 2018	**30,838,916**	**$ 7,778,425**	**20,000**	**$ 100,000**	**$ 1,154,630**	**$ 4,607,573**	**$ 26,300**	**$ -**	**$ (5,877,431)**	**$ 7,789,497**

The notes to the consolidated financial statements are an integral part of these statements.

1. Nature of Operations

Global Health Clinics Ltd. (formerly Leo Resources Inc.) (the "Company") was incorporated on March 18, 2013 in the Province of British Columbia. The Company was engaged in the business of acquisition and exploration of mining properties in Canada. Prior to January 31, 2016, the Company was 19.96% owned by GreenBank Capital Inc. ("GreenBank") and 16.76% owned by Winston Resources Inc. ("Winston"), both Canadian public companies. GreenBank and Winston declared share dividends on January 29, 2016 to distribute all of their shareholding interest of the Company to their shareholders. GreenBank and Winston no longer have any shareholder interest in the Company. The Company's common shares trade on the Canadian Securities Exchange ("CSE"). The head office of the Company is located at 1100 West Hasting Streets, Suite 800, Vancouver, BC, Canada.

On May 29, 2017, the Company completed a definitive agreement with Green Life Clinics Inc. ("GLC") (note 11). Pending approval with the CSE, the Company plans on entering the cannabis industry. Subsequent to the period ended July 31, 2018, the Company completed the acquisition of GLC (Note 17).

2. Going Concern Assumption

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards ("IFRS"). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its assets or terminate its operations.

As at July 31, 2018, the Company has yet to generate revenues from operations and had a deficit of $5,877,431 (2017 - $2,733,493). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

3. Statement of Compliance and Basis of Presentation

(a) Statement of Compliance
The policies applied in these consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committees ("IFRIC"). The board of directors approved the consolidated financial statements on November 29, 2018.

(b) Basis of Presentation
These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which may be measured at fair value in subsequent periods, and have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of Consolidation
These consolidated financial statements include the accounts of the Company and its wholly own subsidiary 1125076 B.C. Ltd. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. The subsidiary is consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expense are eliminated upon consolidation.

4. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with IFRS and IFRIC. Outlined below are those policies considered particularly significant:

Related party disclosures
Parties are considered to be related if one party has the ability to directly or indirectly 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.

Income taxes
Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing in the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

4. Significant Accounting Policies (continued)

Income taxes (continued)
The carrying amount of deferred income tax assets is reviewed at each reporting date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Impairment of non-financial assets
At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of impairment in value. If any such indication exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount with a corresponding impairment loss recognized in the consolidated statement of comprehensive income in the period of impairment.

If an impairment loss reverses in a subsequent period then the carrying amount of the asset is increased to its revised value to the extent that the increased carrying amount does not exceed its original carrying amount.

Functional currency
The Company's presentation and functional currency is the Canadian dollar.

Equity settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. Stock-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payment reserve.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled and vested, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period or date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share based compensation reserve.

When the share-based payment arrangement has been cancelled or the terms have expired the fair value assigned to the share-based payment arrangement is transferred to contributed surplus.

4. Significant Accounting Policies (continued)

Share capital
Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received from the issued shares.

Financial instruments
Fair value through profit or loss (FVTPL)
Financial assets that are held with the intention of generating profits in the near term are classified as held for trading within FVTPL. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized as gain or loss in the consolidated statement of loss and comprehensive loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive loss. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the consolidated statement of loss and comprehensive loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of loss and comprehensive loss. The losses arising from impairment are recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value
Financial instruments recorded at fair value on the consolidated statement of financial position are classified 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: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuation techniques based on 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: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is considered Level 1 in the hierarchy.

4. Significant Accounting Policies (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Loss Per Share
Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

Future Accounting Policies
At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. This standard also requires an expected loss impairment method to be used, replacing the incurred loss model.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are to be recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements (such as IFRS 15, IFRS 16, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards.

5. Critical Accounting Estimates and Judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(a) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

(a) Share based compensation

The Company records all share-based compensation using the fair value method. The Company uses the Black- Scholes option pricing model to determine the fair value of share-based compensation. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

(b) Valuation of receivables and payables

The amounts due to/from parent company and company under common control have no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of receivables. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of these receivables in the statement of financial position and reflect management's best estimate of the fair value of these financial instruments.

6. Financial Risk Management

Financial Risk Management Objectives and Policies

The Company is exposed to various financial risks resulting from its financial instruments. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

(Expressed in Canadian Dollars)

Financial Risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company's assets most susceptible to credit risk is its cash, which is held at a Canadian chartered bank in a non-interest bearing account, and government GST recoverable, which is due from the Canadian government, advances to GLC and MCRCI and due from related companies and related party. The credit risks related to cash and government GST receivable were low and the credit risks related to due from related companies and related party are high due to potential of non-payments.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at July 31, 2018, the Company had $2,582,656 in cash.

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

The Company has designated its cash at FVTPL. Due from related companies and related party are classified as loans and receivables whereby they are initially recognized at fair value and then subsequently carried at amortized cost. Accounts payables and accrued liabilities, due to related parties and due to related companies are classified as other financial liabilities whereby they are initially recognized at fair value and then measured at amortized cost.

The carrying values, which approximate fair values, of the Company's financial instruments are as follows:

As at July 31,		2018		2017
Financial Assets				
Fair value through profit or loss				
Cash	**$**	**2,582,656**	$	4,641,327
Loans and Receivables				
Due from GLC	**$**	**1,496,857**	$	976,250
Due from Medicinal Cannabis Resources Centre	**$**	**652,319**	$	35,000
Due from related party	**$**	**50,000**	$	50,000
Financial Liabilities				
Other financial liabilities				
Amounts payable and other liabilities	**$**	**299,856**	$	400,692

7. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operation and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's managements to sustain future development of the business.

(Expressed in Canadian Dollars)

7. Capital Management (continued)

The Company defines its capital as its working capital. As at July 31, 2018, the Company's capital resources amounted to a capital of $7,789,497 (2017 - $9,771,805).

The Company's capital management objectives, policies and processes have been directed towards the cannabis industry during the year ended July 31, 2018. The Company is not subject to any externally imposed capital requirement. There were no changes in the Company's approach to capital management during the year.

8. Accounts Receivable

As at July 31,		2018		2017
GST recoverable	**$**	**82,521**	$	52,880

9. Prepaid Expenses

The prepaid expenses of $Nil (2017 - $1,192,040) comprise of prepaid consulting fees. During the year ended July 31, 2017, the Company entered into a number of consulting agreements with various parties. The terms of the agreements require that the consulting services are performed over a period of 12 months and payment is made in full on the date the agreement is signed by both parties and is in effect. The fees were expensed straight-line over the term of the agreements.

10. Amounts Payable and Other Liabilities

As at July 31,		2018		2017
Amounts payable (note 12)	**$**	**273,031**	$	391,867
Other liabilities		**26,825**		8,825
	$	**299,856**	$	400,692

11. Acquisition of Green Life Clinics

Pursuant to the agreement, on July 6, 2017, the Company advanced $3,225,000 to GLC. This payment is to be utilized by GLC to repay shareholder loans incurred in relation to the GLC's acquisition of MCRCI Medicinal Cannabis Resources Inc. ("MCRCI") and to be incurred to complete the acquisition of Patient Access Pavilions Ltd. ("PAP") This payment was financed by the proceeds raised from the Company's non-brokered financing. Further, during the year ended July 31, 2017, the Company advanced $35,000 to MCRCI for working capital. According to the agreement, there are no terms for re-payments of these amounts and they will be written off as a loss if the amalgamation is not completed. At July 31, 2018, the Company loaned a total of $2,149,176 (2017: $976,250) consisting of cash advances made and consulting fees paid on behalf of GLC and MCRCI.

On July 3, 2018, the Company entered into an amended amalgamation agreement with GLC under which the Company will acquire 100 percent of the issued and outstanding shares of GLC pursuant to a three-corner amalgamation by which GLC will amalgamate with 1125076 B.C. Ltd., and the shareholders of GLC will receive one common share of the Company for each GLC share held, resulting in the aggregate issuance of 18,600,000 of the Company's shares issued pursuant to the amalgamation. On July 3, 2018, the number of GLC Class B shares issued was reduced to adjust the cost base from $0.025 to $0.25. Two shareholders returned a total of 6,400,000 Class B shares so as to increase their cost from $0.025 to $0.25 per share (from 8,000,000 Class B shares to 1,600,000 Class B shares). Two other shareholder elected to pay up their shares by paying additional consideration of $2,000,000. As a result of a re-capitalization, GLC now has 9,600,000 Class B Shares outstanding which will result in an aggregate consideration of $2,400,000 paid by the shareholders.

11. Acquisition of Green Life Clinics (continued)

Additionally, GLC paid $2,000,000 in cash and issued 5,000,000 Class C shares to the shareholders of PAP for the acquisition of PAP.

During the year ended July 31, 2018, the company incurred fees of $59,619 related to the acquisition.

Subsequent to the year ended July 31, 2018, the Company completed the acquisition of GLC (Note 17).

12. Related Party Transactions and Disclosures

The loan receivable at July 31, 2018 of $50,000 (2017 - ($50,000)) is due from a director of the Company. This amount is unsecured, non-interest bearing and due on demand.

During the year ended July 31, 2018, the Company incurred transfer agent fees of $nil (2017 - $876) to Reliable Stock Transfer Inc., ("Reliable") a company owned by a former director for the provision of share transfer services.

During the year ended July 31, 2018, the Company incurred fees of $nil (2017 - $414,076) as consulting fees to directors, officers and companies controlled by directors and officers of the Company.

During the year ended July 31, 2018, the Company incurred consulting fees of $nil (2017 - $257,143) to Ken Tollstam, a former director of the company, and management fees of $10,700 (2017 - $105,000) to Usama Chaudhry, a former director of the Company, management fees of $nil (2017 - $100,000), accounting fees of $11,500 (2017 - $22,990) and consulting fees of $3,750 (2017: $nil) to Lichtenwald Professional Corp. which is owned by a former director of the Company.

At July 31, 2018, the Company has a balance of $7,635 (2017- $Nil) owing to directors and the amounts are included in amounts payable and other liabilities (Note 10). As at July 31, 2018, the company has a balance of $3,406 (2017 - $3,406) owing to GreenBank Capital Inc., a company with a former director. The amount is unsecured, non-interest bearing and due on demand and has been included in the amounts payable and other liabilities (Note 10).

Key Management remuneration

During the year ended July 31, 2018, the Company paid management fees of $33,333 (2017: $6,667) to Suzette Ramcharan, a director of the Company, in regards to the amalgamation agreement with GLC.

13. Share Capital

(i) The Company's authorized share capital consists of:

- an unlimited number of common shares with no par value; and
- an unlimited number of Series A preferred shares – non-voting, non-retractable, non-redeemable without dividend, no par value

Share consolidation

On May 3, 2017, the Company consolidated its issued and outstanding share capital on the basis of one post consolidation share for each five pre-consolidation common shares. No fractional shares were issued. Any fraction of a share were rounded down to the nearest whole number. All references to share capital, stock options and share purchase warrants presented in these consolidated financial statements and notes are on a post-consolidation basis.

13. Share Capital (continued)

Issuance of shares and warrants

Year ended July 31, 2018
During the year ended July 31, 2018, the Company did not issue any common or preferred shares.

Year ended July 31, 2017
On March 11, 2017, the Company closed a non-brokered private placement of 2,400,000 units for gross proceeds of $600,000 at a price of $0.25 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant is convertible into one common share at a price of $0.325 per share and is exercisable for a period of two years from date of issuance. Using the relative fair value method, the fair value of warrants was determined to $188,568 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 2 years, average risk-free interest rate – 0.84%, expected dividend yield – 0%, and average expected stock price volatility – 201%.

On April 27, 2017, the Company closed a non-brokered private placement of 2,000,000 units for gross proceeds of $1,000,000 at a price of $0.50 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant is convertible into one common share at a price of $0.60 per share and is exercisable for a period of one year. Using the relative fair value method, the fair value of warrants was determined to $284,858 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 0.72%, expected dividend yield – 0%, and average expected stock price volatility – 254%.

On June 21, 2017, the Company closed the first tranche of a non-brokered private placement for 21,266,900 units for gross proceeds $10,633,450 at a price of $0.50 per unit. Of the $10,633,450, $7,000 was received subsequent to July 31, 2017. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase an additional common share at the price of $0.85 per share for a period of 12 months. In the event that company's share prices closes at a price of $1.40 per share for a period of 10 consecutive trading dates, the Company will have the option to provide notice to the warrant holders in writing or through press release to accelerate the term of the warrants to a period of 30 days following such notice. Using the relative fair value method, the fair value of warrants was determined to $3,166,071 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 1.27%, expected dividend yield – 0%, and average expected stock price volatility – 264%.

In connection with the private placement, the Company paid finders' fees of $555,848 and issued 443,695 common share purchase warrants entitling the finder to purchase one additional common share of the Company, having the same terms as the warrants issued in the financing. The fair value of warrants was determined to $470,302 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 1.27%, expected dividend yield – 0%, and average expected stock price volatility – 264%.

On July 24, 2017, the Company closed the final tranche of the non-brokered private placement for 3,397,600 units for gross proceeds $1,698,800 at a price of $0.50 per unit. In connection with the first initial tranche, the Company has raised in total gross proceeds of $12,332,250, equivalent to 24,664,500 units, for this financing. Using the relative fair value method, the fair value of warrants was determined to $501,615 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 1.26%, expected dividend yield – 0%, and average expected stock price volatility – 265%. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share at the price of $0.85 per share for a period of 12 months from the closing of the transaction.

13. Share Capital (continued)

Issuance of shares and warrants (continued)

In the event that company's share prices closes at a price of $1.40 per share for a period of 10 consecutive trading dates, the company will have the option to provide notice to the warrant holders in writing or through press release to accelerate the term of the warrants to a period of 30 days following such notice.

In connection with the private placement, the company paid finders' fees of $10,990 and issued 25,032 common share purchase warrants entitling the finder to purchase one additional common share of the Company, having the same terms as the warrants issued in the financing. The fair value of warrants was determined to $22,864 by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 1.26%, expected dividend yield – 0%, and average expected stock price volatility – 265%.

During the year ended July 31, 2017, the Company paid fees of $1,329,790 to various parties and $330,750 to related parties in relation to the private placements that took place during the year.

(ii) Stock Options

The Company has adopted a stock option plan (the "Plan"). Pursuant to the Plan, the Board of Directors may from time to time in its discretion, and in accordance with the Exchange Requirements, grant non-transferable options to purchase shares to directors, officers, founders, employees, persons engaged to provide investor relations activities and consultants of the Company.

The options granted under the Plan together with all of the Company's other previously established stock option plans or grants, shall not result at any time in

- the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the outstanding Common Shares;
- the grant to Insiders within a 12-month period, of a number of Options exceeding 10% of the outstanding Common Shares;
- the grant to any once optionee within a twelve month period, of a number of options exceeding 5% of the issues and outstanding Common Shares unless the Company obtains the requisite disinterested shareholder approval; and
- the grant to all persons engaged by the Corporation to provide investor relations activities, within any twelve-month period, of options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Company's issued and outstanding Common Shares; other grant to any one consultant, in any twelve-month period, of Options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Company's issued and outstanding Common Shares.

An optionee shall be entitled to exercise an Option granted to at any time prior to the expiry of the option period and to vesting limitations imposed by the Board of directors at the time such Option is granted. Exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the closing price (the "market price") of the shares on the exchange immediately preceding the day on which the Board grants the options and provides such notice to the exchange.

(Expressed in Canadian Dollars)

13. Share Capital (continued)

(ii) Stock options (continued)

Stock option transactions for the years presented are as follows:

		Fair value	Number of stock options		Weighted average exercise price
Balance, July 31, 2016	**$**	**11,235**	**60,000**	**$**	**0.25**
Expired/forfeited		(11,235)	**(60,000)**		0.25
Balance, July 31, 2017 and 2018	**$**	**-**	**-**	**$**	1.09

During the year ended July 31, 2017, 60,000 stock options were cancelled. As a result, the fair value of $11,235 was transferred from share-based payment reserves to contributed surplus.

During the year ended July 31, 2018, the Company committed to grant 2,000,000 stock options which will vest immediately to a consultant through the execution of a consulting agreement. As of July 31, 2018 these options were not yet granted under the Company's stock option plan. The Company recorded share-based payment of $1,154,630 resulting from this commitment.

(iii) Warrants

The issued and outstanding warrants balance at July 31, 2018 is comprised as follows:

	Number of warrants
Balance, July 31, 2016	**500,000**
Issued	17,200,977
Exercised	(725,000)
Balance, July 31, 2017 and 2018	**16,975,977**

The following table sets out the details of the warrants granted and outstanding as at July 31, 2018:

Issue date	Expiry date		Weighted average exercise price	Number of warrants
March 11, 2017	March 11, 2019	$	0.325	2,175,000
April 27, 2017	October 27, 2018		0.600	2,000,000
June 21, 2017	December 21, 2018		0.850	11,077,145
July 24, 2017	January 24, 2019		0.850	1,723,832
		$	0.753	**16,975,977**

On April 27, 2018, the Company extended the terms of its 14,800,177 outstanding warrants by six months as follows:

- 1,723,832 warrants exercisable at $0.85 expiring on July 24, 2018, to be extended to January 24, 2019;
- 11,077,145 warrants exercisable at $0.85 expiring on June 21, 2018, to be extended to December 21, 2018; and
- 2,000,000 warrants exercisable at $0.60 expiring on April 27, 2018, to be extended to October 27, 2018.

(Expressed in Canadian Dollars)

13. Share Capital (continued)

(iv) Reserves (continued)

The share-based payment reserve records the fair value of stock options granted for services until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The warrant reserve records the fair value of warrant issued in private placements until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Contributed surplus records the fair value of stock options and warrant upon cancellation and forfeiture.

14. Net Loss Per Common Share

The calculation of basic and diluted loss per share for the year ended July 31, 2018 was based on the loss attributable to common shareholders of $3,143,938 (2017 - $2,142,496) and the weighted average number of common shares outstanding of 30,838,916 (2016 - 5,039,784). All outstanding options were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

15. Income Taxes

The Company’s income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company’s effective tax rate is as follows:

	2018	**2017**
Loss before income taxes	$ (3,143,938)	$ (2,142,496)
Combined statutory rate	26.5%	26.5%
	(833,144)	(567,761)
Impairment of exploration and evaluation assets	-	12,236
Share issuance costs	-	(238,520)
Share-based compensation	305,977	-
Non-deductible meals and entertainment	2,231	-
Benefit of tax losses not recognized	524,936	794,045
	$ -	$ -

As at July 31, 2018, the Company has Canadian non-capital losses of approximately $4,896,000 available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2033	$ 13,000
2034	123,000
2035	91,000
2036	29,000
2037	2,543,000
2038	2,097,000
	$ 4,896,000

(Expressed in Canadian Dollars)

15. Income Taxes (continued)

Deferred income tax assets

The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

		2018		2017
Benefit of non-capital losses	$	1,297,674	$	742,637
Mineral property exploration		12,000		12,000
Share issuance costs		90,306		120,408
Less: Valuation allowance		(1,399,980)		(875,045)
	$	-	$	-

Deferred income tax assets have been impaired in respect of these items because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

16. Commitment

On June 21, 2018, the Company entered into a lease for basic rent of $1,623 per month from August 1, 2018 to July 30, 2020, and $1,706 per month from August 1, 2020 to July 30, 2023.

17. Subsequent Events

On August 27, 2018, the Company completed the acquisition of GLC. The Company completed a three-corner amalgamation with GLC and its wholly owned subsidiary 1125076 B.C. Ltd. Under the amalgamation, the shareholders of GLC received one common share of the Company for each GLC share held, resulting in the aggregate issuance of 18,600,000 of the Company's common shares being issued. The Company previously paid to GLC $3,225,000 in cash. The entity resulting from the amalgamation is now a wholly owned subsidiary of the Company.

For accounting purposes, the acquisition of GLC was considered a business combination. The initial accounting for the business combination is incomplete as GLC's accounting record is incomplete at the time the financial statements are authorized for issue.

The Company changed its name from Leo Resources Inc. to Global Health Clinics Ltd. The Company commenced trading on the Canadian Securities Exchange under the symbol MJRX on August 29, 2018.

On October 27, 2018, 2,000,000 warrants with an exercise price of $0.60 per share expired unexercised.

The Company completed a letter of intent with Integrative Alternative Health Services ("IAHS") to purchase all the property and assets of IAHS for $15,000 cash and 80,000 common shares.