

**GLOBAL HEALTH CLINICS LTD.
(Formerly Leo Resources Inc.)
Condensed Consolidated Interim
Financial Statements**

**For the Three and Six Months Ended
January 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars)

As at	January 31, 2019	July 31, 2018
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 2,232,719	\$ 2,582,656
Accounts receivable (note 8)	197,035	82,521
Prepaid expenses (note 9)	7,637	-
Total current assets	2,437,391	2,665,177
Non-current assets		
Equipment	7,175	-
Client list (notes 10 and 12)	887,260	-
Customer relationship (notes 10 and 12)	242,289	-
Goodwill (note 12)	13,428,175	-
Investment in Integrative Alternative Health Services (note 19)	15,000	-
Investment in Green Life Clinics Ltd. (note 12)	-	3,225,000
Due from Green Life Clinics Ltd. (note 12)	-	1,496,857
Due from Medical Cannabis Resource Centre Inc. (note 12)	-	652,319
Due from related party (note 14)	50,000	50,000
Total non-current assets	14,629,899	5,424,176
Total assets	\$ 17,067,290	\$ 8,089,353
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 11 and 14)	\$ 1,451,897	\$ 299,856
Deferred revenue (note 15)	87,802	-
Loan payable (notes 12 and 14)	74,125	-
Total current liabilities	1,613,824	299,856
DIT liability (note 12)	419,840	-
Total liabilities	2,033,664	299,856
Shareholders' equity		
Share capital (note 16)	17,178,423	7,878,425
Reserves	5,788,503	5,788,503
Accumulated deficit	(7,933,300)	(5,877,431)
Total shareholders' equity	15,033,626	7,789,497
Total liabilities and shareholders' equity	\$ 17,067,290	\$ 8,089,353

Nature of operations (note 1)

Going concern (note 2)

Subsequent events (note 19)

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

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

	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2019	2018	2019	2018
REVENUE				
Sales	\$ 118,186	\$ -	\$ 244,365	\$ -
COST OF SALES				
Doctor fees	91,425	-	156,080	-
	26,761	-	88,285	-
Operating Expenses				
Advertising and promotion	200,216	-	793,902	-
Amortization	178,830	-	315,742	-
Bank charges and interest	4,769	2,344	8,833	4,351
Consulting and referral fees (note 14)	55,906	394,598	262,211	813,359
Credit card commissions	908	-	1,559	-
Filing and listing fees	8,444	5,221	20,394	6,638
Legal and professional fees	52,213	55,953	58,701	78,132
Management fees (note 14)	63,761	-	113,700	-
Office and general expenses	133,469	38,402	240,523	115,407
Salary and wages	161,499	-	267,075	-
Transfer agent fees	2,224	4,811	23,820	13,348
Loss before other item	(835,478)	(501,329)	(2,018,175)	(1,031,235)
Transaction costs (note 12)	-	-	(37,694)	-
Net loss and comprehensive loss	\$ (835,478)	\$ (501,329)	\$ (2,055,869)	\$ (1,031,235)
Basic and diluted net loss per share (note 17)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	49,438,911	30,838,916	47,012,825	30,838,916

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

Global Health Clinics Ltd. (formerly Leo Resources Inc.)**Condensed Consolidated Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

For the Six Months Ended January 31,	2019	2018
Operating activities		
Net loss for the period	\$ (2,055,869)	\$ (1,031,235)
Item not affecting cash:		
Amortization	315,742	-
Changes in non-cash working capital items:		
Accounts receivable	(60,403)	(7,735)
Prepaid expenses	(12)	757,165
Amounts payable and other liabilities	(979,836)	(326,581)
Deferred revenue	(22,335)	-
Net cash used in operating activities	(2,802,713)	(608,386)
Investing activities		
Net cash from acquisition of subsidiary	2,467,956	-
Investment in Integrative Alternative Health Services	(15,000)	-
Purchase of computer software	(180)	-
Net cash provided by investing activities	2,452,776	-
Financing activities		
Subscription received	-	7,000
Due from related company	-	(665,267)
Due to related parties	-	3,406
Net cash used in financing activities	-	(654,861)
Net change in cash	(349,937)	(1,263,247)
Cash, beginning of period	2,582,656	4,641,327
Cash, end of period	\$ 2,232,719	\$ 3,378,080

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

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

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Common Share Capital		Preferred Share Capital		Share-based Payments	Reserves		Subscriptions Receivable		Total
	Number of Shares	Amount	Number of Shares	Amount		Warrants	Contributed Surplus	Amount	Deficit	
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
Net loss for the period	-	-	-	-	-	-	-	-	(1,031,235)	(1,031,235)
Balance, January 31, 2018	30,838,916	\$ 7,778,425	20,000	\$ 100,000	\$ -	\$ 4,607,573	\$ 26,300	\$ -	\$ (3,764,728)	\$ 8,747,570
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
Shares issued for acquisition of subsidiary (note 12)	18,599,995	9,299,998	-	-	-	-	-	-	-	9,299,998
Net loss for the period	-	-	-	-	-	-	-	-	(2,055,869)	(2,055,869)
Balance, January 31, 2019	49,438,911	\$ 17,078,423	20,000	\$ 100,000	\$ 1,154,630	\$ 4,607,573	\$ 26,300	\$ -	\$ (7,933,300)	\$ 15,033,626

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

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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. On August 24, 2018, the Company changed its name to Global Health Clinics Ltd. following the acquisition of Green Life Clinics Ltd. ("GLC"). The Company was engaged in the business of acquisition and exploration of mining properties in Canada. Following the acquisition of GLC, the Company has entered the cannabis industry. The head office of the Company is located at 1100 West Hasting Streets, Suite 800, Vancouver, BC, Canada.

On August 24, 2018, the Company acquired all of the issued and outstanding securities of Global Health Clinics Ltd. which holds all of the issued and outstanding securities of Patient Access Pavilions Ltd. ("PAP") and MCRCI Medicinal Cannabis Research Resource Centre Inc. ("MCRCI").

PAP is a marketing technology company that utilizes a digital platform generating qualified leads through storefront kiosks operating in, among other areas, marijuana dispensaries in British Columbia. PAP offers sorting and recording of patient information as well as verification, and allows a gateway between health service providers and medical marijuana patients. PAP currently has 48 kiosks in locations in British Columbia, Saskatchewan and Ontario.

The principal business carried on by MCRCI is the operation of medical clinics which guides patients through the process of becoming legal users of medical marijuana. MCRCI currently operates five clinics in British Columbia via affiliate agreements with doctors.

The acquisition was completed via 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 18,599,995 of the Company's common shares being issued. The Company also paid to GLC \$3,225,000 in cash, which funds were utilized to repay shareholder loan and to secure and complete the PAP acquisition. GLC is now a wholly-owned subsidiary of the Company. Following the completion of the acquisition, the Company conducts the principal business of GLC, being the integration of the businesses of PAP and MCRCI (note 12).

The Company commenced trading on the Canadian Securities Exchange under the symbol MJRX on August 29, 2018.

2. Going Concern Assumption

These condensed consolidated interim 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's operations to date have been financed by issuing common shares and debt instruments. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate funds therefrom and raise additional financing in order to meet current and future obligations. The current cash position on hand and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. There is no assurance that additional funding or suitable joint venture arrangements will be available on a timely basis or on terms acceptable to the Company. This indicates the existence of a material uncertainty about the Company's ability to continue as a going concern. 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.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Going Concern Assumption (continued)

During the six months ended January 31, 2019, the Company recorded net loss of \$2,055,869 (2018 - \$1,031,235). As at January 31, 2019, the Company had a working capital of \$823,567 (July 31, 2018 - \$2,365,321) and had an accumulated deficit of \$7,933,300 (July 31, 2018 - \$5,877,431). 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 condensed consolidated interim financial statements are based on IFRS as issued by the International Accounting Standards Board ("IASB"), in particular International Accounting Standards ("IAS") 34, Interim Reporting, and interpretations issued by the Interpretation Financial Reporting Interpretations Committee ("IFRIC"). The board of directors approved the condensed consolidated interim financial statements on April 1, 2019.

(b) Basis of Presentation

These condensed consolidated interim 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 condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary 1125076 B.C. Ltd and Green Life Clinics 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 condensed consolidated interim 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.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

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.

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.

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.

Cash

Cash in the consolidated statements of financial position comprise cash in bank.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property and equipment are depreciated annually on the following basis:

- Computer equipment - 50%
- Office equipment - 20%
- Furniture and equipment - 20%

Depreciation commences when an item of equipment becomes available for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for separately. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are accounted for using the equity method and are initially recognized at cost. The entire carrying amount of the investment is tested for impairment annually.

Impairment of non-current assets

The carrying amount of the Company's long-lived assets with finite useful lives (which include plant and equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if indicators of impairment exist.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

Functional currency

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

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.

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 period, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

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.

Revenue recognition

The Company derives its revenue primarily from membership fees, educational grants and operating expenses reimbursements. Membership fees are normally received from patients on annual prepayments. Therefore, the Company recognizes the deferred revenue for the membership prepayments received during the year and recognized as revenue on a straight-line basis over the one-year service period.

Revenue from the rendering of services, including education grants, is recognized when the following criteria are met:

- The amount of revenue can be measured reliably;
- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be measured reliably.

Interest from cash and cash equivalents, if applicable, are recorded on an accrual basis when collection is reasonably assured.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

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.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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.

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 effective but not yet adopted 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.

IFRS 15 "*Revenue from Contracts with Customers*" - This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 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.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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

Notes to Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended January 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

5. Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim 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 consolidated 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 consolidated financial statements within the next financial year are discussed below:

(a) Income taxes

The Company is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Company has not recognized deferred tax assets relating to tax losses carried forward. Future realization of the tax losses depends on the ability of the Company to satisfy certain tests at the time the losses are recouped, including current and future economic conditions and tax law.

(b) 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 consolidated 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 consolidated financial statements.

(c) Impairment of non-financial assets

Judgment is involved in assessing whether there is any indication that an asset or cash-generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash-generating unit, and information from internal reporting.

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5. Significant Accounting Estimates and Judgments (continued)

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 condensed consolidated interim financial statements.

(a) Allowance for doubtful accounts

The Company must make an assessment of whether account receivables are collectible from debtors. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

(b) Impairment

Assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts.

(c) Estimated useful lives of property and equipment and intangible assets

The Company makes estimates and utilizes assumptions in determining the useful lives of property and equipment and intangible assets, and the related depreciation and amortization. Uncertainties in these estimates relate to technical obsolescence and the average life of a patient relationship that may change the utilization of certain assets.

(d) 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.

(e) 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.

While management believes the estimates contained within these condensed consolidated interim financial statements are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

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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.

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 consolidated 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 January 31, 2019, the Company had \$2,232,719 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:

	January 31, 2019	July 31, 2018
Financial Assets		
<i>Fair value through profit or loss</i>		
Cash	\$ 2,232,719	\$ 2,582,656
Loans and Receivables		
Accounts receivable	197,035	82,521
Due from GLC	-	1,496,857
Due from Medicinal Cannabis Resources Centre	-	652,319
Due from related party	50,000	50,000
Financial Liabilities		
<i>Other financial liabilities</i>		
Amounts payable and other liabilities	1,451,897	299,856
Loans payable	\$ 74,125	\$ -

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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.

As at January 31, 2019, the Company's capital resources amounted to a capital of \$15,033,626 (July 31, 2018 - \$7,789,497).

The Company's capital management objectives, policies and processes have been directed towards the cannabis industry during the period ended January 31, 2019. 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 period.

8. Accounts Receivable

	January 31, 2019		July 31, 2018	
Trade receivable	\$	82,905	\$	-
GST recoverable		114,130		82,521
Total	\$	197,035	\$	82,521

9. Prepaid Expenses

The prepaid expenses of \$7,637 (July 31, 2018 - \$Nil) comprise of prepaid rent of \$7,625 (July 31, 2018 - \$Nil) and other prepaid expenses of \$12 (July 31, 2018 - \$Nil).

10. Intangible Assets

	Client list		Customer relationship		Total	
Cost						
Balance at July 31, 2018	\$	-	\$	-	\$	-
Additions (note 12)		1,166,712		278,579		1,445,291
Balance at January 31, 2019	\$	1,166,712	\$	278,579	\$	1,445,291
Amortization						
Balance at July 31, 2018	\$	-	\$	-	\$	-
Charge for the period		279,452		36,290		315,742
Balance at January 31, 2019	\$	279,452	\$	36,290	\$	315,742
Net book value						
Balance at July 31, 2018	\$	-	\$	-	\$	-
Balance at January 31, 2019	\$	887,260	\$	242,289	\$	1,129,549

11. Amounts Payable and Other Liabilities

	January 31, 2019		July 31, 2018	
Amounts payable (note 12)	\$	1,414,110	\$	273,031
Other liabilities		37,787		26,825
	\$	1,451,897	\$	299,856

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12. Acquisition of Green Life Clinics Ltd.

Pursuant to the agreement, on July 6, 2017, the Company advanced \$3,225,000 to Green Life Clinics Ltd. ("GLC"). This payment was utilized by GLC to repay shareholder loans incurred in relation to GLC's acquisition of MCRCI Medicinal Cannabis Resources Inc. ("MCRCI") and to secure and 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 repayments of these amounts, and they will be written-off as a loss if the amalgamation is not completed. At January 31, 2019, the Company loaned a total of \$2,847,234 (July 31, 2018 - \$2,149,176) consisting of cash advances made and consulting fees paid on behalf of GLC, MCRCI and PAP.

On July 3, 2018, the Company entered into an amended amalgamation agreement with GLC under which the Company will acquire 100% 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 18,599,995 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 shareholders selected to pay up their shares by paying additional consideration of \$2,000,000. As a result of a re-capitalization, GLC now has 9,599,995 Class B Shares outstanding which will result in an aggregate consideration of \$2,400,000 paid by the shareholders.

Additionally, GLC paid \$3,000,000 in cash and issued 5,000,000 Class C shares to the shareholders of PAP for the acquisition of PAP.

During the six months ended January 31, 2019 the Company incurred fees of \$37,694 (July 31, 2018 - \$59,619) related to the acquisition.

On August 24, 2018, the Company completed the acquisition of GLC, upon which GLC owns 37.62% of the then outstanding common shares of the Company. For accounting purposes, the acquisition of GLC was considered a business combination and accounted for using the acquisition method. The results of operations from GLC are included in the consolidated financial statements from the date of acquisition.

The fair value of the total consideration has been allocated as below:

Fair value of shares issued (18,599,995 shares at \$0.50 per share)	\$	9,299,998
Cash consideration		3,225,000
Total consideration	\$	12,524,998
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	2,467,956
Accounts receivable		54,111
Prepaid expenses		7,625
Property and equipment		6,995
MCRCI clinics client list		1,166,712
PAP customer relationship		278,579
Goodwill		13,428,175
Trade and other payables		(2,051,877)
Deferred revenue		(110,137)
Loans payable		(74,125)
Due to Global Health Clinics		(2,229,176)
Deferred income tax		(419,840)
	\$	12,524,998

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12. Acquisition of Green Life Clinics (continued)

The fair value of the 18,599,995 shares issued was estimated to be \$0.50 per share using the price of the Company's most recent private placement.

The MCRCI clinics client list acquired had a fair value of \$1,912,500, and an expected life of three years. As of August 24, 2018, the client list had a net book value of \$1,166,712. The Company recognized amortization of \$279,452 during the six months ended January 31, 2019.

The PAP customer relationship had a fair value of \$292,188, and an expected life of three years. As of August 24, 2018, the customer relationship had a book value of \$278,579. The Company recognized amortization of \$36,290 during the six months ended January 31, 2019.

The Company recognized goodwill of \$13,428,175 as the excess of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed.

The following unaudited supplemental pro-forma data presents consolidated information as if the acquisition been completed on August 1, 2018. The pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2019.

Pro-forma information	January 31, 2019
Revenue	\$275,211
Gross profit	\$98,001
Net and comprehensive loss	\$2,193,188

Since August 25, 2018 GLC contributed revenue of \$244,365 and realized a net loss of \$828,357.

13. Joint Venture Patient Partnership

The Company and one of Canada's top three largest licensed producers have established a patient partnership across Canada, in which the Company and the licensed producer will work together in adding patients under the Access to Cannabis for Medical Purposes Regulations system.

The licensed producer, located on Vancouver Island, will provide dedicated staff members not just throughout British Columbia but nationally to educate and support the staff of the Company when talking to patients and issuing ACMPR licences during business hours. Further the licensed producer will give the Company patients priority processing/on-boarding, allowing them to order instantaneously, significantly decreasing patient processing/ordering time.

The Company will work with this producer as its premium LP giving patients a 10% discount on their first purchases.

14. Related Party Transactions and Disclosures

The loan receivable at January 31, 2019 of \$50,000 (July 31, 2018 - \$50,000) is due from a director of the Company. This amount is unsecured, non-interest bearing and due on demand.

During the six months ended January 31, 2019, the Company incurred fees of \$93,000 (2018 - \$3,750) as consulting and referral fees to companies controlled by directors and officers of the Company.

During the six months ended January 31, 2019, the Company incurred salaries of \$36,685 (2018 - \$Nil) to a director of the Company.

During the six months ended January 31, 2019, the Company accounting fees of \$Nil (2018 - \$11,500) to a company owned by a former director.

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14. Related Party Transactions and Disclosures (continued)

Key Management remuneration

During the six months ended January 31, 2019, the Company paid management fees of \$84,206 (2018 - \$Nil) to an officer and a company controlled by a director of the Company.

At January 31, 2019, the Company has a balance of \$599,937 (July 31, 2018 - \$7,635) owing to companies controlled by directors and officers and the amounts are included in amounts payable and other liabilities (note 11). As at January 31, 2019, the Company has a balance of \$3,406 (July 31, 2018 - \$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 11).

As at January 31, 2019, a \$74,125 loan was payable to a director (note 12).

All these amounts payable to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

15. Deferred Revenue

Deferred revenue consists of pre-billed and prepaid services. Deferred revenues are recognized in revenue straight-line over the term of service, which is one year.

16. 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.

Issuance of shares and warrants

Period ended January 31, 2019

During the period ended January 31, 2019, the Company issued 18,599,995 common shares related to the acquisition of Green Life Clinics Ltd. (note 12).

Year ended July 31, 2018

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

(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.

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16. Share Capital (continued)

(ii) Stock Options (continued)

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 12-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 12-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 12-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.

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. The Company recorded share-based payment of \$1,154,630 resulting from this commitment. As of January 31, 2019, these options were not yet granted under the Company's stock option plan.

(iii) Warrants

The issued and outstanding warrants balance at January 31, 2019 is comprised as follows:

	Number of warrants
Balance, July 31, 2018	16,975,977
Expired	(14,800,977)
Balance, January 31, 2019	2,175,000

The following table sets out the details of the warrants outstanding as at January 31, 2019:

Issue date	Expiry date	Weighted average exercise price	Number of warrants
March 11, 2017	March 11, 2019	\$ 0.325	2,175,000
		\$ 0.325	2,175,000

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16. Share Capital (continued)

(iii) Warrants (continued)

On April 27, 2018, the Company extended the terms of its 14,800,977 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 (expired);
- 11,077,145 warrants exercisable at \$0.85 expiring on June 21, 2018, to be extended to December 21, 2018 (expired); and
- 2,000,000 warrants exercisable at \$0.60 expiring on April 27, 2018, to be extended to October 27, 2018 (expired).

(iv) Reserves

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.

17. Net Loss Per Common Share

The calculation of basic and diluted loss per share for the three and six months ended January 31, 2019 was based on the loss attributable to common shareholders of \$835,478 and \$2,055,869, respectively (three and six months ended January 31, 2018 - \$501,329 and \$1,031,235, respectively) and the weighted average number of common shares outstanding of 49,438,911 and 47,012,825, respectively (2018 - 30,838,916). All outstanding options were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

18. 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.

19. Subsequent Event

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. The Company has paid the cash consideration of \$15,000 during the period ended January 31, 2019. The acquisition has not yet completed as at January 31, 2019.