# GLOBAL HEALTH CLINICS LTD.
# (FORMERLY LEO RESOURCES INC.)

**MANAGEMENT DISCUSSION & ANALYSIS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2019**

**(Prepared by Management and dated on April 1, 2019)**

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MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") AS OF JANUARY 31, 2019 TO ACCOMPANY THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF GLOBAL HEALTH CLINICS LTD. (FORMERLY LEO RESOURCES INC.) (THE "COMPANY") FOR THE SIX MONTHS ENDED JANUARY 31, 2019.

This MD&A is dated April 1, 2019.

The following MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended July 31, 2018, and the unaudited condensed consolidated interim financial statements for the six months ended January 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

## DESCRIPTION OF THE BUSINESS

### Overview

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.

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

**Corporate History**

The Company was previously a subsidiary of Zara Resources Inc. ("Zara"). On March 20, 2013, Zara announced a proposal to spin-off to its shareholders 100% of the Company. On March 20, 2013, the Company entered into an agreement with Zara to acquire 100% of the Riverbank claims ("Riverbank") for $358,000 to be satisfied by the issuance of 549,500 post-consolidation common shares of the Company. In addition, Zara also subscribed for 100,000 Non-Voting Series A Preferred Shares for the sum of $100,000 cash. Riverbank is also subject to a pre-existing 2% NSR. The spin-off was transacted by way of a statutory plan of arrangement (the "Leo Plan") under the Business Corporations Act (British Columbia). Upon completion of the Leo Plan, the Company owned 100% of Riverbank. Pursuant to the terms of the Leo Plan, Zara distributed 549,500 post consolidation common shares of the Company. On August 2, 2013, the spinoff received all necessary court approvals and the plan of arrangement was subsequently completed. The Company listed on the CSE on August 16, 2013. On May 21, 2014, the Company completed a 1 for 5 consolidation of its common shares.

On August 1, 2014, the Company dual listed its common shares on the Frankfurt Exchange and on XETRA. These listings were discontinued in February 2016.

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 to their shareholders. GreenBank and Winston no longer have any shareholder interest in the Company.

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.

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").

On September 24, 2018, the Company expanded its wide Canada wide operations to Halifax with the opening of a new care clinic.

Subsequent to the period ended January 31, 2019, 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.

**Acquisition of Green Life Clinics Inc.**

On May 8, 2017, the Company entered into an amalgamation agreement under which it will acquire GLC by way of a three-corner amalgamation pursuant to which GLC will amalgamate with 1125076 B.C. Ltd., a wholly-owned subsidiary of the Company, and the shareholders of GLC will receive one common share of the Company for each GLC share held, resulting in the aggregate issuance of 25,000,000 of the Company's shares. Holders of the Class B shares in the capital of GLC will also receive a cash payment of $0.125 per share for aggregate consideration of $2,000,000.

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 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, 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 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 (year ended 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 |

The fair value of the18,599,995 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 income | $2,193,188 |

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

**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.

**Management Changes**

On April 14, 2017, the Company appointed Sam Chaudry to the board of the Company. Mr. Chaudry replaced Anthony Jackson, who has resigned as both chief executive officer and as a board member of the Company.

On August 27, 2018, following the completion of the acquisition of GLC, Usama Chaudhry resigned as president and chief executive officer of the Company and as director, and each of Konstantin Lichtenwald and Ken Tollstam resigned as a director.

The Company's board of directors was reconstituted and comprised: Mr. Roycroft, Mr. Jackson, David Schmidt, Sarah Donald, Stanley Iu, Stephanie Liu and Suzette Ramcharan.

Terry Roycroft, president and a founder of MCRCI, was appointed as the Company's president and chief executive officer, and Anthony Jackson has been appointed as the Company's chairman. Adrian Makuch has been appointed as corporate secretary. Mr. Lichtenwald resigned and was replaced by Anthony Jackson as the Company's chief financial officer on October 2018. The Company appointed Jatinder Dhaliwal as a director of the Company on October 2018. Mr. Dhaliwal replaced Stanley Iu who resigned from the Company.

On March 22, 2019, Terry Roycroft resigned as chief executive officer and was replaced by Jatinder Dhaliwal who was appointed as interim CEO of the Company.

The current composition of the Company's board of directors is as follows: Anthony Jackson (chairman), Mr. Dhaliwal, Terry Roycroft, Sarah Donald, Ms. Ramcharan, Stephanie Liu and David Schmidt.

## FINANCIAL STATEMENTS GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under 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 interests or terminate its operations.

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.

## RESULTS OF OPERATIONS

For the three months ended January 31, 2019, the Company incurred a net loss and comprehensive loss of $835,478 (2018 - $501,329); $0.02 (2018 - $0.02) loss per share. The Company earned revenues of $118,186 (2018 - $Nil) and incurred cost of sales of $91,425 (2018 - $Nil). The Company's net loss is mainly comprised of advertising and promotion of $200,216 (2018 - $Nil), consulting and referral fees of $55,906 (2018 - $394,598), amortization of $178,830 (2018 - $Nil), office and general expenses of $133,469 (2018 - $38,402), salary and wages of $161,499 (2018 - $Nil), management fees of $63,761 (2018 - $Nil), transfer agent fees of $2,224 (2018 - $4,811), filing and listing fees of $8,444 (2018 - $5,221), legal and professional fees of $52,213 (2018 - $55,953), bank charges and interest of $4,769 (2018 - $2,344) and credit card commissions of $908 (2018 - $Nil). The increase in loss were due to a higher advertising and promotion fees, management fees, salary and wages, office and general expenses, filing and listing fees incurred during the three months ended January 31, 2019. The increases in expenses were directly attributable to the fees incurred in relation to the acquisition of GLC. During the current period, the Company recognized amortization of intangible assets of $178,830 (2018 - $Nil) acquired related to the acquisition of GLC.

For the six months ended January 31, 2019, the Company incurred a net loss and comprehensive loss of $2,055,869 (2018 - $1,031,235); $0.04 (2018 - $0.03) loss per share. The Company earned revenues of $244,365 (2018 - $Nil) and incurred cost of sales of $156,080 (2018 - $Nil). The Company's net loss is mainly comprised of advertising and promotion of $793,902 (2018 - $Nil), consulting and referral fees of $262,211 (2018 - $813,359), amortization of $315,742 (2018 - $Nil), office and general expenses of $240,523 (2018 - $115,407), salary and wages of $267,075 (2018 - $Nil), management fees of $113,700 (2018 - $Nil), transfer agent fees of $23,820 (2018 - $13,348), filing and listing fees of $20,394 (2018 - $6,638), legal and professional fees of $58,701 (2018 - $78,132), bank charges and interest of $8,833 (2018 - $4,351), credit card commissions of $1,559 (2018 - $Nil), and transaction costs of $37,694 (2018 - $Nil). The increase in loss were due to a higher advertising and promotion fees, management fees, salary and wages, office and general expenses, filing and listing fees, and transfer agent fees, and transaction costs incurred during the six months ended January 31, 2019. The increases in expenses were directly attributable to the fees incurred in relation to the acquisition of GLC. During the current period, the Company recognized amortization of intangible assets of $315,742 (2018 - $Nil) acquired related to the acquisition of GLC.

For the six months ended January 31, 2019, the net cash used in operating activities was $2,802,713 (2018 - $608,386), net cash provided by investing activities was $2,452,776 (2018 - $Nil), net cash used in financing activities was $Nil (2018 - $654,861) and net decrease in cash of $349,937 (2018 - $1,263,247).

Depending on future events, the rate of expenditures and general and administrative costs could increase or decrease.

**Selected Financial Information**

The following table provides selected financial information that should be read in conjunction with the audited Consolidated Financial Statements and Notes of the Company for the applicable year:

| Summary of Results | Year ended July 31, 2018 | Year ended July 31, 2017 | Year ended July 31, 2016 |
|---|---|---|---|
| **Net Loss** | **$ 3,143,938** | $ 2,142,496 | $ 31,918 |
| **Exploration and Evaluation Assets** | **$ Nil** | $ Nil | $ 44,795 |
| **Current Assets** | **$ 2,665,177** | $ 5,886,247 | $ 2,211 |
| **Total Assets** | **$ 8,089,353** | $ 10,172,497 | $ 47,006 |
| **Total Liabilities** | **$ 299,856** | $ 400,692 | $ 28,702 |
| **Shareholders' Equity** | **$ 7,789,497** | $ 9,771,805 | $ 18,304 |

**Summary of Quarterly Results**

The table below provides selected financial information that should be read in conjunction with the audited/unaudited financial statements of the Company for the applicable period:

| Quarter ended | Jan. 31, 2019 | Oct. 31, 2018 | Jul. 31, 2018 | Apr. 30, 2018 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net Loss | 835,478 | 1,220,391 | 1,659,084 | 453,619 |
| Current Assets | 2,437,391 | 3,157,925 | 2,665,177 | 3,138,678 |
| Total Assets | 17,067,290 | 17,951,474 | 8,089,353 | 8,365,418 |
| Total Liabilities | 2,033,664 | 2,082,370 | 299,856 | 71,467 |
| Total Shareholders' Equity | 15,033,626 | 15,859,104 | 7,789,497 | 8,293,951 |
| **Quarter ended** | **Jan. 31, 2018** | **Oct. 31, 2017** | **Jul. 31, 2017** | **Apr. 30, 2017** |
| | $ | $ | $ | $ |
| Net Loss | 501,329 | 529,906 | 1,421,606 | 669,520 |
| Current Assets | 3,873,570 | 4,536,331 | 5,886,247 | 912,829 |
| Total Assets | 8,825,087 | 9,323,205 | 10,172,497 | 957,624 |
| Total Liabilities | 77,517 | 74,306 | 400,692 | 60,210 |
| Total Shareholders' Equity | 8,747,570 | 9,248,899 | 9,771,805 | 897,414 |

**Liquidity and Solvency**

The Company will need access to equity capital to pursue its business plan and there is no guarantee that equity may be available, and if available it may not be on terms that Management finds is in the interest of the Company.

The following table summarizes the Company's cash on hand, working capital and cash flow.

| As at | January 31, 2019 |
|---|---|
| | $ |
| Cash | 2,232,719 |
| Working Capital | 823,567 |
| Cash Used in Operating Activities | (2,802,713) |
| Cash Provided by Investing Activities | 2,452,776 |
| Cash Provided by Financing Activity | - |
| Decrease in Cash | (349,937) |

The Company is dependent on the sale of newly issued shares to finance its business plans and operations. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

**Capital Resources**

The Company continues to use its cash resources to fund its operations. As the Company does not currently have sufficient cash balances to fund its ongoing operations and to settle its obligations, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof.

**Share Capital**

The following is a summary of the Company's outstanding share, warrant and stock options data as of April 1, 2019.

<u>Common Shares</u>
The authorized capital of the issuer consists of an unlimited number of common shares without par value of which 49,438,911 are outstanding. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate rate-ably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

<u>Preferred Shares</u>
The authorized capital of the issuer consists of an unlimited number of preferred shares without par value, of which 20,000 are issued or outstanding as of April 1, 2019. The preferred shares rank in priority to the common shares upon the liquidation, winding up or other dissolution of the Issuer. The preferred shares were issued in August 2013, as part of the plan of arrangement with Zara Resources Inc.

<u>Stock Options</u>
Options to purchase common shares in the capital of the Company are granted by the Company's Board of Directors to eligible persons pursuant to the Company's 2016 Stock Option Incentive Plan. During the year ended July 31, 2017, the Company cancelled all its outstanding options.

During the year ended July 31, 2018, the Company committed to grant 2,000,000 stock options to a consultant at an exercise price of $1.09 per common share for a period of two year ending on April 30, 2020. The stock options vested immediately. The fair value of the stock options granted was determined to be $1,154,630 using the Black-Scholes Pricing Model with the following assumptions: risk free interest rate 1.92%; expected life of 2 years; expected volatility of 100% and dividend yield of Nil.

As of April 1, 2019, these options were not yet granted under the Company's stock option plan.

<u>Warrants</u>

On March 11, 2017, the Company issued 2,400,000 share purchase warrants at an exercise price of $0.325 per share and is exercisable for a period of two years from date of issuance. 225,000 of these warrants were exercised during the year ended July 31, 2017. The warrants expired on March 11, 2019.

On April 27, 2017, the Company issued 2,000,000 share purchase warrants at an exercise price of $0.60 per share which expired on October 27, 2018.

On June 21, 2017, the Company issued 11,077,145 share purchase warrants at an exercise price of $0.85 per share which expired on December 21, 2018.

On July 24, 2017, the Company issued 1,723,832 share purchase warrants at an exercise price of $0.85 per share which expired on January 24, 2019.

As of April 1, 2019, the Company has Nil share purchase warrants outstanding.

**Outlook and Capital Requirements**

There is no guarantee that market conditions will be conducive to raising additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

**Related Party Transactions**

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.

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.

As at January 31, 2019, a $74,125 loan was payable to a director.

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

**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.

**Contractual Obligations**

There are no contractual obligations, aside from those disclosed in this MD&A that will materially affect the performance of the Company.

**Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet transactions.

**Proposed Transactions**

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

**Accounting Policies**

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. These consolidated financial statements have been prepared by management in accordance with IFRS. Significant accounting policies used have been outlined on the condensed consolidated interim financial statements for the six months ended January 31, 2019.

***Significant 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 financial statements within the next financial year are discussed below:

***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.

***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.

***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.

## 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 consolidated financial statements.

***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.

***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.

***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.

***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 consolidated financial instruments.

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.

**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 management 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.

**Risks and Uncertainties**

The following are certain factors relating to the business of the Company, which factors investors should carefully consider when making an investment decision concerning the shares of the Company. The

Company will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or which are currently deemed immaterial, may also impair the operations of the Company. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A.

***Going concern***

The Company's capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise necessary funds to further develop its products.

***Risks Inherent in the Nature of the Health Clinic Industry***

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the GLC's business, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of GLC to generate revenues. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether the GLC is generating revenue.

***Unfavourable Publicity or Consumer Perception***

The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results. Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and recreational cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general).

***Patient Acquisitions***

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact the Resulting Issuer's ability to attract and retain patients, including but not limited to the successful implementation of the Resulting Issuer's patient-acquisition plans and the continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Company's failure to acquire and retain patients as clients would have a material adverse effect on the Company's business, operating results and financial condition.

***Competition***

The medicinal marijuana industry is intensely competitive, and GLC competes with other companies that may have greater financial resources and technical facilities. Numerous other businesses are expected to compete in the clinic space and provide additional patient servicing under the new regulatory regime in seeking patients that purchase medicinal marijuana. It is possible that LPs or other third parties could also establish their own medical clinics that are similar to the Target's, as there are no significant barriers to entry.

An increase in competition for cannabis and cannabinoid products may decrease prices and result in lower profits to the LPs. This increases the risk that LPs would not have funding available to provide LP grants.

***Development Risks***

Future development of the Target's business may not yield expected returns and may strain management resources. Development of the Target's revenue streams is subject to a number of risks, including construction delays, cost overruns, financing risks, cancellation of key service contracts, and changes in government regulations. Overall costs may significantly exceed the costs that were estimated when the project was originally undertaken, which could result in reduced returns, or even losses, from such investments.

***Conflicts of Interest***

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

***Plans for Growth***

The Target plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. The Target will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, the Target has implemented some managerial, informational, operational and financial systems and controls, however, there can be assurance these systems and controls will be adequate. The Target may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third party relationships the Target has, as its systems, procedures or controls may not be adequate to support increased operations and management may be unable to manage growth effectively. To manage the planned growth, the Target will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. The Target may also be required to expand its finance, administrative and operations staff. The Target may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

**Management's Responsibility for Financial Statements**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited consolidated financial statements.

**Outlook**

The outlook for precious metals continues to be positive and this is reflected in the Company's ongoing activity.

**Cautionary Statement**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- the ability to obtain additional financing and uncertainty as to the availability and terms of future financing;
- expectations regarding production costs, capacity and yields of the Company and growth thereof;
- the Company's intentions to develop its business and operations;
- expectations regarding the timing for the legalization of recreational marijuana use in Canada;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company;
- risks related to the Company's dependence on key personnel;
- estimates used in the Company's consolidated financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at April 1, 2019 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

**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 April 1, 2019.

**Other**

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.GlobalHealthClinics.co and www.sedar.com.