

Form 51-102F4

**Business Acquisition Report**

**Item 1. Identity of Company**

**1.1 Name and Address of Company**

Global Health Clinics Ltd. (the “**Company**”)  
Suite 400 - 837 West Hastings Street  
Vancouver, British Columbia  
V6C 3N6

**1.2 Executive Officer**

The name of the executive officer of the Company who is knowledgeable about the significant acquisition and this report is Jay Dhaliwal, Chief Executive Officer, and his email is [dhaliwal.jat@gmail.com](mailto:dhaliwal.jat@gmail.com).

**Item 2. Details of Acquisition**

**2.1 Nature of Business Acquired**

On December 10, 2020, the Company entered into a definitive share purchase agreement (the “**Agreement**”) with 2756407 Ontario Ltd. (“**Wonder Scientific**”) and each of the shareholders of Wonder Scientific (the “**Vendors**”) to acquire all of the issued and outstanding shares of Wonder Scientific (the “**Transaction**”). Wonder Scientific is an arms'-length privately-held company that is a development-stage plant medicine company focused on the mental health and natural health & wellness marketplace, with a focus on research related to psilocybin. The Transaction closed on January 20, 2021 (the “**Closing**”).

Pursuant to the Agreement, the Company issued 26,000,000 common shares (the “**Consideration Shares**”) to the Vendors in exchange for all of the issued and outstanding common shares of Wonder Scientific. The Consideration Shares are subject to a voluntary pooling arrangement and (a) 3,979,132 of the Consideration Shares are subject to a 12-month pooling arrangement, whereby 50% of such shares will be released six months from the Closing and the remaining 50% of such shares will be released six months after that; and (b) 22,020,868 of the Consideration Shares are subject to a four month and one day pooling arrangement, whereby 33% of such Consideration Shares were released on Closing, 33% were released two months after Closing and the remaining 34% were released four months and one day after Closing. The Company was at arms-length from Wonder Scientific and each of its shareholders. The Transaction did not constitute a fundamental change for the Company, nor did it result in a change of control of the Company, within the meaning of applicable securities laws and the policies of the Canadian Securities Exchange. In connection with the completion of the Transaction, the Company also issued 2,100,000 common shares to arm's length parties who assisted with the Transaction. See the press release of the Company dated January 20, 2021 for further details on Wonder Scientific.

**2.2 Acquisition Date**

See Item 2.1.

**2.3 Consideration**

See Item 2.1.

**2.4 Effect on Financial Position**

Through the acquisition, the Company and Wonder Scientific intend to produce a natural psilocybin product. The product then can be marketed and sold to patients seeking treatment for PTSD, resistant depression, and other health ailments.

**2.5 Prior Valuations**

None.

**2.6 Parties to Transaction**

Not applicable.

**2.7 Date of Report**

June 18, 2021

**Item 3. Item 3 Financial Statements and Other Information**

The financial statements of Wonder Scientific and other information required by Part 8 of National Instrument 51-102 are attached as Schedule 1.

SCHEDULE "1"

**2756407 Ontario Ltd.**

Financial Statements

For the period from May 20, 2020 (date of incorporation)  
to December 31, 2020

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 2756407 Ontario Inc.

### Opinion

We have audited the financial statements of 2756407 Ontario Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from May 20, 2020 (date of incorporation) to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period from May 20, 2020 (date of incorporation) to December 31, 2020 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC  
June 11, 2021

**2756407 Ontario Ltd.**  
Statement of Financial Position  
As at December 31, 2020  
(Expressed in Canadian dollars)

|   | <b>December 31,<br/>2020</b> |
|---|------------------------------|
| <b>ASSETS</b>                                     |                              |
| <b>Current Assets</b>                             |                              |
| Cash (Note 6)                                     | \$ 456,086                   |
| Prepaid expenses                                  | 2,778                        |
| <b>TOTAL ASSETS</b>                               | <b>\$ 458,864</b>            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                              |
| <b>Current Liabilities</b>                        |                              |
| Accounts payable and accrued liabilities          | \$ 34,703                    |
| <b>Total Current Liabilities</b>                  | <b>34,703</b>                |
| Convertible debentures (Note 7)                   | 150,000                      |
| <b>Total Liabilities</b>                          | <b>184,703</b>               |
| <b>SHAREHOLDERS' EQUITY</b>                       |                              |
| Share capital (Note 8)                            | 190,000                      |
| Subscription received (Note 8)                    | 150,000                      |
| Deficit   | (65,839)                     |
| <b>Total Shareholders' Equity</b>                 | <b>274,161</b>               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 458,864</b>            |

Going concern (Note 2)  
Subsequent events (Note 10)

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

**2756407 Ontario Ltd.**

Statement of Net Loss and Comprehensive Loss

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

|   | <b>Period from May 20,<br/>2020 (date of<br/>incorporation)<br/>to December 31, 2020</b> |
|---|--|
| <b>Operating Expense</b>                                    |  |
| Advertising and promotion                                   | \$ 6,466   |
| Bank service charge   | 206  |
| Consulting fees   | 29,881   |
| Professional fees   | 29,286   |
| <b>Net loss and comprehensive loss for the period</b>       | <b>\$ (65,839)</b>   |
| <b>Loss per share - basic and diluted</b>                   | <b>\$ (0.01)</b>   |
| <b>Weighted average number of common shares outstanding</b> | <b>6,753,333</b>   |

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



**2756407 Ontario Ltd.**

## Statement of Cash Flows

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

|   | <b>Period from May 20,<br/>2020 (date of<br/>incorporation)<br/>to December 31, 2020</b> |                |
|---|--|----------------|
| <b>Operating activities</b>               |  |                |
| Net loss for the period                   | \$   | (65,839)       |
| Item not involving cash:                  |  |                |
| Shares issued for services                |  | 5,222          |
| Change in working capital item:           |  |                |
| Accounts payable and accrued liabilities  |  | 34,703         |
| Net cash used in operating activities     |  | (25,914)       |
| <b>Financing activities</b>               |  |                |
| Shares issued for cash                    |  | 182,000        |
| Subscription received                     |  | 150,000        |
| Proceeds from convertible debentures      |  | 150,000        |
| Net cash provided by financing activities |  | 482,000        |
| <b>Change in cash</b>                     |  | <b>456,086</b> |
| <b>Cash, beginning of period</b>          |  | <b>-</b>       |
| <b>Cash, ending of period</b>             | <b>\$</b>  | <b>456,086</b> |
| <b>Other non-cash transactions</b>        |  |                |
| Shares issued for services                | \$   | 8,000          |

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

**2756407 Ontario Ltd.**

Statement of Shareholders' Equity

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

|  | <b>Share Capital</b> |                   | <b>Subscription</b> |                    |                   |
|--|----------------------|-------------------|---------------------|--------------------|-------------------|
|  | <b>Number</b>        | <b>Amount</b>     | <b>received</b>     | <b>Deficit</b>     | <b>Total</b>      |
| <b>Balance at May 20, 2020 (date of incorporation)</b> | -                    | \$ -              | \$ -                | \$ -               | \$ -              |
| Shares issued on incorporation                         | 100                  | 1                 | -                   | -                  | 1                 |
| Cancellation of incorporation shares                   | (100)                | (1)               | -                   | -                  | (1)               |
| Shares issued for cash (Note 8)                        | 12,100,000           | 182,000           | -                   | -                  | 182,000           |
| Shares issued for services (Note 8)                    | 400,000              | 8,000             | -                   | -                  | 8,000             |
| Subscription received (Note 8)                         | -                    | -                 | 150,000             | -                  | 150,000           |
| Loss for the period                                    | -                    | -                 | -                   | (65,839)           | (65,839)          |
| <b>Balance at December 31, 2020</b>                    | <b>12,500,000</b>    | <b>\$ 190,000</b> | <b>\$ 150,000</b>   | <b>\$ (65,839)</b> | <b>\$ 274,161</b> |

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

## **2756407 Ontario Ltd.**

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### **1. Nature of Operations**

2756407 Ontario Ltd. (Wonder Scientific) (the “Company”) was incorporated on May 20, 2020 in the Province of Ontario. The Company is a development-stage plant medicine company focused on the mental health and natural health and wellness marketplace, and in particular research related to psilocybin. The Company’s mission is to unlock the healing properties of new plant medicines sourced from unique locations around the world, transforming them into regulated and safe pharmaceutical products for global commercialization and sales. The Company's researchers and product development experts are seeking to create custom, naturally derived, active pharmaceutical ingredients (“API”) to supply the growing global clinical and commercial demand for psychedelics. The head office of the Company is located at 400 – 837 West Hastings St, Vancouver, BC V6C 3N6.

On January 19, 2021, the Company was acquired by Global Health Clinics Ltd. (“Global Health”) through the issuance of an aggregate of 26,000,000 common shares to the shareholders of the Company in exchange for every share of the Company they held. The acquisition is an arm’s length transaction. (Note 10).

### **2. Going Concern Assumption**

These 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 operation.

The Company has incurred net losses since inception and as at December 31, 2020 has a deficit of \$65,839. The Company’s continuation as a going concern is dependent upon its ability to develop and attain profitable operations and generate funds from therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and/or private placement of common shares. These factors indicate the existence of material uncertainties that may cast significant up the Company’s ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

#### **COVID-19**

During 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

## **2756407 Ontario Ltd.**

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### **3. Statement of Compliance and Basis of Presentation**

#### **Statement of compliance**

The policies applied in these financial statements are based on IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

#### **Basis of presentation**

These 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.

#### **Significant accounting estimates and judgements**

##### Significant estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include determining the fair value of financial liabilities and the measurement of deferred income tax assets and liabilities.

##### Significant judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company’s financial statements include: the assessment of the Company’s ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## 2756407 Ontario Ltd.

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### 3. Statement of Compliance and Basis of Presentation (continued)

#### Financial instruments

##### Classification

The Company classifies its financial instruments under IFRS 9 in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

##### Measurement

###### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in the other comprehensive income (loss).

###### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of net loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in the statement of comprehensive loss.

##### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the

## **2756407 Ontario Ltd.**

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### **3. Statement of Compliance and Basis of Presentation (continued)**

#### **Financial instruments (continued)**

##### Impairment of financial assets at amortized cost (continued)

statement of net loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### Derecognition

###### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

###### *Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

#### **Cash**

Cash comprises cash in bank and funds held in trust, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Research and development**

Research and development are expensed in the period in which the costs are incurred. Development costs are capitalized as assets when all the recognition criteria set by IAS 38 - *Intangible Assets* are met. Development costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

#### **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.

## **2756407 Ontario Ltd.**

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### **3. Statement of Compliance and Basis of Presentation (continued)**

#### **Loss per share**

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The effects of anti-dilutive potential units are ignored in calculating diluted earnings per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

#### **Related party transactions**

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

#### **Income taxes**

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## **2756407 Ontario Ltd.**

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### **3. Statement of Compliance and Basis of Presentation (continued)**

#### **Income taxes (continued)**

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### **4. Risk Management and Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and convertible debentures. The carrying values of the financial instruments approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

#### **Fair value**

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1: Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3: inputs for the asset or liability that are not based upon observable market data.

Cash under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities. Accounts payable and convertible debentures are carried at amortized cost.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. Management believes that credit risk is minimal.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company maintained cash at December 31, 2020 in the amount of \$456,086, in order to meet short-term business requirements. At December 31, 2020, the Company had accounts payable and accrued liabilities of \$34,703. All of the Company's current financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as low.



## 2756407 Ontario Ltd.

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### 4. Risk Management and Financial Instruments (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at December 31, 2020, the Company is not exposed to significant market risk.

### 5. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity as capital. The Company's primary source of capital comes from the issuance of capital stock.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to additional funding through issuance of new shares or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long-term but recognizes there will be risks involved that may be beyond its control. There were no changes to the Company's capital management approach during the period from May 20, 2020 (date of incorporation) to December 31, 2020.

### 6. Cash

|                     | <b>December 31,<br/>2020</b> |
|---------------------|------------------------------|
| Cash at bank        | \$ 241,086                   |
| Funds held in trust | 215,000                      |
|                     | <b>\$ 456,086</b>            |

### 7. Convertible Debentures

On December 10, 2020, the Company issued convertible debentures with an aggregate principal of \$150,000. The convertible debentures are non-interest bearing and convertible any time prior to the maturity date of November 25, 2022 into common shares.

The principal amount of the convertible debentures will automatically convert into securities of the Company as follows on the earlier of: (i) upon satisfaction or waiver of all conditions precedent to the completion of a Going Public Transaction into common shares (the "Common Shares") of the Company at a deemed price per Common Share equal to a 20% discount to the price or deemed price attributed to the Common Shares pursuant to such Going Public Transaction (the "Conversion Price"); or (ii) the Maturity Date into Common Shares at a price per Common Share equal to the Conversion Price.

## 2756407 Ontario Ltd.

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

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### 7. Convertible Debentures (continued)

Subsequent to December 31, 2020, the debentures were converted into 937,500 common shares (Note 10).

### 8. Share Capital

#### Authorized

Unlimited number of common shares without par value

#### Issued and outstanding

During the period from May 20, 2020 (date of incorporation) to December 31, 2020, the Company issued a total of 12,100,000 common shares for gross proceeds of \$182,000 from private placements, and 400,000 common shares for services with a fair value of \$8,000.

During the period from May 20, 2020 (date of incorporation) to December 31, 2020, the Company granted a consultant an option to acquire 937,500 common shares at a price of \$150,000. As of December 31, 2020, the Company recorded subscriptions received of \$150,000 pursuant to the exercise of the option subsequent to the year-end (Note 10).

#### Stock options

The Company has established a share option plan whereby the Board of Directors may from time-to-time grant options to purchase common shares to employees, officers, directors and consultants, for such terms and at such exercise prices as may be determined by the Board.

### 9. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes as follows:

|  |    | <b>2020</b> |
|--|----|-------------|
| Net loss for the period                            | \$ | (65,839)    |
| Statutory income tax rate                          |    | 27%         |
| Income tax benefit computed at statutory tax rate  |    | (17,777)    |
| Unrecognized benefit of deferred income tax assets |    | 17,777      |
| Income tax expense                                 | \$ | -           |

## 2756407 Ontario Ltd.

Notes to Financial Statements

For the period from May 20, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian dollars)

### 9. Income Taxes (continued)

Deferred tax assets have not been recognized in respect of the following item:

|  | 2020     |
|--|----------|
| Capital losses carried forward                     | 17,777   |
| Unrecognized benefit of deferred income tax assets | (17,777) |
| Income tax expense                                 | \$ -     |

As at December 31, 2020, the Company had non-capital losses carried forward of approximately \$65,839 which may be utilized to reduce future years' taxable income and expire through to 2040 if not utilized.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized.

### 10. Subsequent events

On December 10, 2020, the Company signed a definitive share purchase agreement with Global Health Clinics Ltd. ("Global Health") whereby Global Health will acquire all of the outstanding shares of the Company through the issuance of an aggregate of 26,000,000 of its common shares to the shareholders of the Company, at a deemed price of \$0.1725 per share based on the discounted closing price of the Global Health's common shares on December 10, 2020 in exchange for every share that they held at an exchange ratio of 1.8087. All outstanding debentures of the Company will be converted into equity of the Company prior to closing and will form part of the purchase price.

Global Health is at arm's length from the Company and its shareholders. The consideration shares are subject to a voluntary pooling arrangement and (a) 3,979,132 of the consideration shares will be subject to a 12-month pooling arrangement, whereby 50% of such shares will be released six months from the closing of the transaction and the remaining 50% of such shares will be released six months after that; and (b) 22,020,868 of the consideration shares will be subject to a four-month-and-one-day pooling arrangement, whereby 33% of such shares will be released on closing, 33% will be released two months after closing and the remaining 34% will be released four months and one day after closing. In connection with the completion of the transaction, Global Health will also issue 2,100,000 common shares to arm's-length parties that are assisting with the transaction.

On January 19, 2021, the acquisition closed by the issuance of an aggregate of 26,000,000 shares of Global Health in exchange for 14,375,000 outstanding shares of the Company. All outstanding debentures of the Company were converted into 937,500 common shares and the option to acquire 937,500 common shares was also exercised prior to the closing of the acquisition.