

Convalo Health International, Corp.
Condensed Consolidated Interim Financial Statements

*For the Periods Ended
February 28, 2015 and 2014
(in Canadian Dollars)
(Unaudited)*

Convalo Health International, Corp.
Condensed Consolidated Interim Statements of Financial Position

(in Canadian Dollars)

Unaudited

As at

February 28, 2015 *November 30, 2014*

Assets

Current

Cash and cash equivalents	5,402,596	1,840,298
Accounts receivable	903,355	326,332
Prepaid expenses	43,427	8,929
Loans receivable	-	15,975
Deferred share issuance costs	-	151,280

6,349,378 2,342,814

Non-current

Property and equipment <i>(Note 5)</i>	72,180	53,318
Restricted cash <i>(Note 6(iii))</i>	-	277,040
Deposits	421,292	402,010

Total assets

6,842,850 3,075,182

Liabilities

Current

Accounts payable and accrued liabilities	741,907	749,469
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Equity

Share capital <i>(Note 6)</i>	7,478,686	4,113,517
Contributed surplus	488,339	43,826
Accumulated other comprehensive gain	240,296	111,466
Deficit	(2,106,378)	(1,943,096)

Total equity

6,100,943 2,325,713

Total Equity and Liabilities

6,842,850 3,075,182

Approved on behalf of the Board

Michael Dalsin

 Director [signed]

Roger Green

 Director [signed]

Convalo Health International, Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(in Canadian Dollars)

Unaudited

For the three months ended

February 28, 2015 **February 28, 2014**

Revenues	1,201,225	-
Cost of revenues	405,198	-
Gross profit	796,027	-
Expenses		
Facilities	242,745	-
Sales & marketing	161,568	-
General and administrative	149,035	28,288
Net profit before undernoted items	242,679	(28,288)
New facility start-up costs	68,318	-
Stock based compensation <i>(Note 6(iv))</i>	21,111	-
Net profit/(loss) from operations	153,250	(28,288)
Transaction costs <i>(Note 2)</i>	317,238	-
Loss before interest	(163,988)	(28,288)
Interest income	706	-
Net loss	(163,282)	(28,288)
Other comprehensive loss		
Items that may be reclassified to net income (loss)		
Unrealized gains on translation of financial statements of foreign operations	128,830	42,044
Comprehensive loss	(34,452)	13,756
Basic and diluted loss per share <i>(Note 13)</i>	(\$ 0.002)	(\$ 0.001)

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

Convalo Health International, Corp.
Condensed Consolidated Interim Statements of Changes in Equity

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

	<i>Contributed surplus</i>	<i>Accumulated other comprehensive gain (loss)</i>	<i>Share capital</i>	<i>Deficit</i>	<i>Total equity</i>
Balance at incorporation	-	-	-	-	-
Net loss	-	-	-	(61,463)	(61,463)
Other comprehensive loss	-	(10,785)	-	-	(10,785)
Shares issued (net of costs)	14,902	-	1,024,119	-	1,039,021
Balance November 30, 2013	14,902	(10,785)	1,024,119	(61,463)	966,773
Net loss	-	-	-	(1,881,633)	(1,881,633)
Other comprehensive gain	-	122,251	-	-	122,251
Shares issued (net of costs)	4,284	-	1,538,553	-	1,542,837
Shares in escrow (net of costs)	24,640	-	1,550,845	-	1,575,485
Balance November 30, 2014	43,826	111,466	4,113,517	(1,943,096)	2,325,713
Net loss	-	-	-	(163,282)	(163,282)
Other comprehensive gain	-	128,830	-	-	128,830
Private Placement (net of costs)	423,402	-	2,284,860	-	2,708,262
Issuance of shares to Valiant shareholders	-	-	590,000	-	590,000
Warrant Exercises (net of costs)	-	-	490,309	-	490,309
Stock based compensation	21,111	-	-	-	21,111
Balance February 28, 2015	488,339	240,296	7,478,686	(2,106,378)	6,100,943

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

Convalo Health International, Corp.
Condensed Consolidated Interim Statements of Cash Flows

(in Canadian Dollars)

Unaudited

For the three months ended

February 28, 2015 *February 28, 2014*

Operating Activities		
Loss for the period	(163,282)	(28,288)
Items not affecting cash		
Stock based compensation	21,111	-
Non-cash lease expense	12,130	-
Non-cash transaction fee	317,238	-
Depreciation	2,998	33
	190,195	(28,255)
Changes in working capital		
Accounts receivable	(563,280)	-
Prepaid expenses	(27,319)	(27,545)
Loans receivable	15,975	-
Accounts payable and accrued liabilities	100,925	-
Cash provided by (used in) operating activities	(283,504)	(55,800)
Investing activities		
Purchases of property and equipment	(16,264)	(3,207)
Cash flow used in investing activities	(16,264)	(3,207)
Financing activities		
Proceeds from issuance of common shares, net of issue costs	2,708,262	-
Warrants exercised	490,309	-
Cash Acquired in Amalgamation (Note 2)	304,270	-
Decrease in restricted cash/ (Increase) (Note 6(ii))	277,040	-
Cash flow provided by financing activities	3,779,881	-
Effect of foreign exchange rates on cash	82,185	41,964
Increase in cash and cash equivalents	3,480,113	(59,007)
Cash and cash equivalents, beginning of period	1,840,298	1,054,855
Cash and cash equivalents, end of period	5,402,596	1,037,842

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

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

1. Incorporation and operations

Convalo Health International, Corp. (the "Company" or "Convalo") was incorporated under the Business Corporations Act (British Columbia) ("BCBCA") on June 7, 2013. On February 11, 2015, as a result of the Amalgamation transaction described in Note 2, Convalo obtained the listing status of Valiant on the NEX trading board of the TSX Venture Exchange (the "Exchange"). Convalo trades under the trading symbol "CXV"

Convalo is focused on the United States outpatient rehabilitation market. The Company operates a high-end treatment center in Los Angeles, California and leases space to patients enrolled in its treatment centers under a contract agreement.

2. Amalgamation and private placement

On February 11, 2015 Convalo and Valiant Minerals Ltd. ("Valiant"), a corporation incorporated under the BCBCA and listed on the Exchange, completed a triangular amalgamation (the "Amalgamation"), whereby Valiant amalgamated with a wholly owned subsidiary of Convalo, 0986282 B.C. Ltd. (the "Amalgamation Entity"), to form an amalgamated corporation (named Convalo Health Corp.). As a result of the Amalgamation all of the property and assets of Valiant and the Amalgamation Entity became the property and assets of Convalo Health Corp., and all of the liabilities and obligations of Valiant and the Amalgamation Entity became liabilities of Convalo Health Corp. Following the Amalgamation, Convalo obtained the listing status on the Exchange and Valiant ceased to be a reporting issuer.

The Amalgamation provided for the issuance of 5,900,000 Convalo common shares to the Valiant shareholders being one Convalo common share issued in exchange for every two Valiant common shares issued and outstanding. Convalo Health Corp. issued to Convalo one fully paid issued and outstanding common share in the capital of the Convalo Health Corp. in exchange for each one Amalgamation Entity common share held and subsequently Convalo Health Corp. became a wholly owned subsidiary of Convalo. Since Valiant was a capital pool company and therefore not a business as defined by IFRS 3 *Business Combinations* the transaction has been accounted for as a purchase of Valiant's net assets and not a business combination. The fair value of the shares issued by Convalo in connection with the Amalgamation has been accounted for in accordance with IFRS 2 *Share Based Payments* and the assets and liabilities of Valiant have been recorded at their carrying value as of the closing date as follows:

Consideration	
5,900,000 common shares at \$0.10 per share	590,000
Net Assets Acquired	
Cash and cash equivalents	304,270
Accounts payable	(31,658)
	<u>272,612</u>
Excess attributed to transaction costs	317,388
Total	590,000

In conjunction with the Amalgamation, Valiant completed a non-brokered private placement of 58,140,000 subscription receipts for gross proceeds of \$2,907,000. Each subscription receipt entitled the holder, prior to the Amalgamation, to acquire one common share in the capital of Valiant and one warrant. These subscription receipts were automatically exchanged for 29,070,000 Convalo common shares and warrants exercisable for 29,070,000 Convalo common shares. Broker warrants issued in connection with the private placement were automatically exchanged for warrants exercisable for 1,989,400 Convalo common shares.

3. Basis of presentation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended November 30, 2014.

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on April 27, 2015.

Basis of presentation and measurement

The condensed consolidated interim financial statements are prepared on a going concern basis and have been presented in Canadian dollars. These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value as required by IFRS.

Basis of consolidation

The Company consolidates all subsidiaries. As such, assets, liabilities, revenues and expenses of all subsidiaries have been consolidated. All inter-company transactions and balances with subsidiaries have been eliminated. The functional currency for Convalo Health International, Corp. is Canadian dollars.

The consolidated entities include the following wholly-owned subsidiaries:

<i>Entity</i>	<i>Country of domicile</i>	<i>% ownership</i>	<i>Functional currency</i>
BLVD Treatment Centers Inc.	United States	100%	United States dollars
Convalo Health Corp.	Canada	100%	Canadian dollars

At February 28, 2015 and 2014, and for the periods then ended, all of the Company's revenues were earned and all of the Company's non-current assets were located in the United States.

4. Summary of significant accounting policies

The condensed consolidated interim financial statements include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash held in trust or escrow, or that the Company is otherwise restricted from using, is classified as restricted cash.

Property and equipment

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives depreciated from the date of acquisition.

The methods of depreciation and useful life applicable for each class of asset during the period are as follows:

	Method	Useful Life
Furniture and fixtures	straight-line	3-8 years
Computers	straight line	3 years

Income taxes

The Company and its subsidiaries are generally taxable under the statutes of their country of incorporation. Current income tax assets and liabilities for the current and prior 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 equity is recognized in equity and not in the statement of comprehensive income. 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.

The Company follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the financial statements and their respective tax bases.

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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Income Taxes (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or 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 or in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of 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 tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the reporting date.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in the statement of comprehensive income, when it occurs subsequent to the measurement period.

Foreign currency translation

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Company's entities in their respective functional currency at rate prevailing at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the average rate of exchange for the period being reported. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

All other leases are accounted for as operating leases, and payments are expensed on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the "cash-generating unit" (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGU to which the asset belongs.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

An impairment loss is recognized in the statement of comprehensive income if an asset's carrying amount or that of the CGU to which it is allocated is higher than its recoverable amount. Impairment losses of CGUs are first charged against the carrying value of the goodwill balance included in the CGU and then against the value of the other assets, in proportion to their carrying amount. In the statement of comprehensive income the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Financial instruments

Financial assets and liabilities

The Company classifies its financial assets as [i] financial assets at fair value through profit or loss, [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at fair value through profit or loss or [ii] other financial liabilities. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the statement of financial position.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of comprehensive income. Transaction costs on FVTPL are expensed as incurred.

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

Financial instruments (continued)

Financial assets and liabilities (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

Other financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method. All financial liabilities are initially measured at fair value. Transaction costs related other financial liabilities are included in the value of the instruments and amortized using the effective interest method. The effective interest expense is included in finance costs.

Convolo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

Financial instruments (continued)

Financial instrument classification

The Company has designated its cash and cash equivalents, accounts receivable and loans receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Interest income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 includes inputs that are observable other than quoted prices included in Level 1.

Level 3 includes inputs that are not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans receivable is determined by discounting future cash flows using rates currently available for instruments and debt on similar terms, credit risk and remaining maturities.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Convalo Health International, Corp.

Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

Use of estimates and judgments (continued)

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. If these amounts are not known at the time the service is rendered, management will make an estimate as to the amount based on previous collection history. Patient service revenues are recognized as the related services are provided. Interest revenues are recognized using the effective interest method.

Management reviews accounts receivable in detail at each reporting period and provides for specific accounts that are deemed to not be collectible. The depreciation recorded on property and equipment is based on the estimated useful life of the assets based on management's judgment.

The Company determines the functional currency for each entity by performing an assessment of the primary economic environment in which each entity operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. The Company considered the currency that primarily influences or determines the selling price or its services and the cost of providing those services to be United States dollars for BLVD Treatment Centers Inc. As an investment holding company, management of Convalo Health International, Corp. reviewed the secondary indicators of functional currency including its issuance of shares, incurring of costs and cash holdings, all of which are in Canadian dollars. Management thus concluded that the functional currency of Convalo Health International, Corp. was Canadian dollars.

The Company measures share based payments to employees and contractors by reference to the fair value of the equity instruments at the date on which they are granted or committed. The fair value of shares is based on recent transactions with arm's length parties. The fair value of options and warrants requires an estimation of fair value based on a valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires the determination of the most appropriate inputs to the valuation including the expected life of the share option, volatility, dividend yield and the likelihood and pricing of a liquidation event. The assumptions and models used for estimating fair value of share based payments and warrants are disclosed in Note 7.

The Company is subject to income taxes in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes as there are certain transactions and calculations for which the ultimate tax determination is uncertain. Changes in tax law or interpretations, including changes to statutory tax rates, may also impact the Company's effective tax rate and tax provision.

5. Property and equipment

	Furniture and fixtures	Computers	Total
As at November 30, 2014	48,616	4,702	53,318
Additions	-	16,264	16,264
Depreciation	(1,710)	(1,288)	(2,998)
Foreign exchange impact	4,496	1,100	5,596
As at February 28, 2015	\$ 51,402	\$ 20,778	\$ 72,180
As at November 30, 2014			
Cost	\$ 52,463	\$5,748	\$ 58,211
Accumulated depreciation	(3,847)	(1,046)	(4,893)
Net carrying amount	\$ 48,616	\$ 4,702	\$ 53,318
As at February 28, 2015			
Cost	\$ 57,619	\$23,255	\$ 80,874
Accumulated depreciation	(6,217)	(2,477)	(8,694)
Net carrying amount	\$ 51,402	\$ 20,778	\$ 72,180

Convalo Health International, Corp.
Notes to the Condensed Consolidated Interim Financial Statements

(in Canadian Dollars)

Unaudited

For the three months ended February 28, 2015 and 2014

6. Share capital

	<i>February 28, 2015</i>	<i>February 28, 2014</i>
<i>Authorized</i>		
Unlimited voting common shares without par value		
<i>Issued</i>		
108,812,050 voting common shares (2014 – 71,089,550)	7,478,686	4,113,517

Changes to share capital:

	<i>Number of shares</i>	<i>Amount</i>
Balance at November 30, 2013	37,534,300	1,024,119
Shares issued through private placement, net of costs (i)	3,100,250	278,553
Shares issued to third parties in exchange for services (ii)	12,600,000	1,260,000
Subscription receipts for shares in escrow, net of costs (iii)	17,855,000	1,550,845
Balance at November 30, 2014	71,089,550	4,113,517
Shares issued to Valiant shareholders (Amalgamation) (iv)	5,900,000	590,000
Shares issued through Valiant private placement, net of costs (v)	29,070,000	2,284,860
Exercise of warrants (vi)	2,752,500	490,309
As at February 28, 2015	108,812,050	7,478,686

- (i) On December 10, 2013, the Company issued 3,000,000 voting common shares for gross proceeds of \$300,000. Each common share included one half warrant to purchase an additional common share at a price of \$0.20 expiring the earlier of June 10, 2016 and 90 days following a liquidity event and one half warrant to purchase an additional common share at a price of \$0.20 expiring the earlier of June 10, 2016 and 12 months following a liquidity event. In conjunction with the offering, the Company issued 210,000 broker warrants with an exercise price of \$0.10 expiring December 10, 2015. The warrants were valued at \$4,284. On April 16, 2014, the Company issued 100,250 voting common shares for gross proceeds of \$10,250. Each common share included one warrant to purchase an additional common share at a price of \$0.20 expiring the earlier of October 16, 2015 or 10 business days after going public transaction". Costs directly attributable to the issuances amounted to \$27,413.
- (ii) During 2014, the Company issued 10,600,000 voting common shares in exchange for services rendered, which was recorded in business development expense. During the period, the Company also issued 2,000,000 voting common shares to a lessor pursuant to a lease agreement. The amount was included in deposits and is amortized over the term of the lease. The fair value of the shares was estimated at \$0.10 per share based on recent transactions with arm's length parties.
- (iii) During 2014, the Company issued subscription receipts for the issuance of 17,855,000 voting common shares for gross proceeds of \$1,785,500. Each subscription receipt included one half warrant to purchase an additional common share at a price of \$0.20 expiring the earlier of 18 months from the date of issuance and 90 days following a liquidity event and one half warrant to purchase an additional common share at a price of \$0.20 expiring the earlier of 18 months from the date of issuance and 12 months following a liquidity event. Proceeds related to the subscription receipts were refundable if a liquidity event was not completed within 24 months of the issuance of the receipt. Restricted cash at November 30, 2014 included \$277,040 related to this transaction that was released upon completion of the Amalgamation transaction. In conjunction with the offering, the Company issued 1,207,850 broker warrants with an exercise price of \$0.10 expiring two years from the issue date. The warrants were valued at \$24,640. Costs directly attributable to the issuance amounted to \$210,015. These subscription receipts were converted into common shares following the Amalgamation transaction.
- (iv) On February 11, 2015, the Company issued 5,900,000 shares value at \$0.10 per share to Valiant shareholders in

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Share capital (continued)

connection with the Amalgamation transaction described in Note 2.

- (v) In conjunction with the Amalgamation, Valiant completed a non-brokered private placement of 58,140,000 subscription receipts at a price of \$0.05 per subscription receipt for aggregate gross proceeds of \$2,907,000. Each subscription receipt issued in connection with the private placement entitled the holder, just prior to the Amalgamation, to acquire one common share in the capital of Valiant and (i) one-half of one transferable share purchase warrant (a "Valiant A Warrant"), with each whole Valiant A Warrant entitling the holder to acquire one Valiant Share at a price of \$0.10 per share until the date that is the earlier of (a) thirty (30) months from the date of issuance, and (b) ninety (90) days following the Amalgamation, and (ii) one-half of one transferable share purchase warrant (a "Valiant B Warrant"), with each whole Valiant B Warrant entitling the holder thereof to acquire one Valiant Share at a price of \$0.10 per share until the date that is the earlier of (a) thirty (30) months from the date of issuance, and (b) twelve (12) months following the Amalgamation. In connection with the private placement 3,978,800 broker warrants were issued at an exercise price of \$0.05 per Valiant share exercisable for a period of 24 months. Pursuant to the Amalgamation each Valiant share, A Warrant and B Warrant issued pursuant to a subscription receipt, and each broker warrant issued pursuant to the private placement was exchanged for similar securities of Convalo on a one for two basis, and with the exercise price of the warrants increased by 100%. As a result, immediately following the Amalgamation, Convalo issued 29,070,000 shares at \$0.10 per share, 29,070,000 warrants exercisable at \$0.10 per share and 1,989,400 broker warrants exercisable at \$0.10 per share. The warrants issued were valued at \$318,760 and the broker warrants were valued at \$104,490. Costs directly attributable to the private placement amounted to \$198,890.
- (vi) During the first quarter of 2015 a total of 2,402,500 warrants and 350,000 broker warrants were exercised at a weighted average exercise price of \$0.1873 per share for total proceeds of \$515,500. Costs directly attributable to the conversion into common stock amounted to \$25,191.

7. Options and warrants

Options

Subsequent to the Amalgamation transaction, the Company implemented an incentive stock option plan that provides that the board of directors of Convalo may from time to time, in its discretion and in accordance with Exchange requirements, grant to directors, officers and employees and consultants of Convalo, non-transferable options to purchase Convalo shares, provided that the number of Convalo shares reserved for issuance will not exceed 10% of the total issued and outstanding Convalo shares, exercisable for a period of up to ten (10) years from the date of the grant. The number of Convalo shares reserved for issuance to any individual director or officer of Convalo will not exceed 5% of the issued and outstanding Convalo shares and the total number of options awarded to any one consultant in any twelve month period shall not exceed 2% of the issued and outstanding shares of Valiant at the date that the particular option was granted without consent being obtained from the Exchange. The exercise price of any options granted under the Convalo option plan shall not be less than the closing price of Convalo shares on the day preceding the day on which the directors grant such options, less any discount permitted by the Exchange. Options held by a director or employee who ceases to be employed by Convalo expire one year from the date the director or ceases to be a director of Convalo or the employee ceases to be employed by Convalo.

Changes to stock options:

	<i>Number of options</i>	<i>Weighted average exercise price</i>
Outstanding at November 30, 2014	-	-
Options granted	8,165,000	0.11
Options cancelled	-	-
Options expired	-	-
Options exercised	-	-
Outstanding at February 28, 2015	8,165,000	0.11
Exercisable at February 28, 2015	-	-

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Options and warrants (continued)

Details of stock options outstanding at February 28, 2015:

<i>Exercise price</i>	<i>Number of options outstanding</i>	<i>Number of options exercisable</i>	<i>Expiry Date</i>
\$0.10	7,050,000	-	February 11, 2025
\$0.20	1,115,000	-	February 11, 2020
	8,165,000	-	

The estimated fair value of options is expensed on a graded basis over the vesting or service period for each tranche. The vesting period approximates three years for all issued and outstanding option compensation. For the quarter ended February 28, 2015, stock-based payments expense of \$21,111 was recorded relating to the fair value of options vested. There were no outstanding options or related expense in the quarter ended February 28, 2014.

The fair value of the company's stock options was determined using the Black-Scholes option pricing model using the following assumptions:

Expected option life	5 – 10 years
Expected volatility	100%
Risk-free interest rate	1%
Dividend yield	Nil
Weighted average share price at grant date	\$0.11
Weighted average exercise price	\$0.11
Estimated forfeiture rate	-
Weighted average fair value	\$0.086

Expected volatility was estimated by reference to comparable listed entities including those on which the Company's share price was based, since the company's own shares had no trading history.

Warrants

Warrants to acquire voting common shares outstanding and exercisable at November 30, 2014 and February 28, 2015 were as follows:

	<i>Number of warrants</i>	<i>Weighted average exercise price</i>
Warrants exercisable	16,999,000	0.19
Warrants held in escrow	17,855,000	0.20
Outstanding at November 30, 2014	34,854,000	0.19
Warrants issued	31,059,400	0.19
Warrants exercised	(2,402,500)	0.19
Outstanding and exercisable at February 28, 2015	65,913,400	0.19

Included in warrants outstanding at November 30, 2014 are warrants to acquire 17,855,000 shares pursuant to an issue of subscription receipts (Note 8). These subscription receipts and warrants were held in escrow and were released in February 2015 upon the conversion of the subscription receipts to common shares following the Amalgamation.

In connection with the private placement completed as part of the Amalgamation, the Company issued warrants to purchase 29,070,000 shares at an exercise price of \$0.20 per share and broker warrants to purchase 1,989,000 shares at a price of \$0.10 per share.

Warrants outstanding at February 28, 2015 expire at various dates through February 2016.

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Options and warrants (continued)

The fair value of the warrants issued in connection with the private placement was calculated using the Black-Scholes option pricing model with the following assumptions:

Expected warrant life	0.25 – 1 years
Expected volatility	100%
Risk-free interest rate	1%
Dividend yield	Nil
Weighted average share price at issue date	\$0.10
Weighted average exercise price	\$0.20

The fair value of the broker warrants issued in connection with the above offering was estimated using the Black Scholes model with the following significant assumptions:

Expected warrant life	Contractual life (2 years)
Expected volatility	100%
Risk-free interest rate	1%
Dividend yield	Nil
Underlying share price	\$0.10
Strike price	\$0.10

8. Expenses by nature

Included in facilities expense for the period ended February 28, 2015 is depreciation of \$2,998. Total employee benefits expense for the periods ended February 28, 2015 and February 28, 2014 was \$312,477 and \$56,996, respectively.

9. Financial instruments and financial risk management

Foreign currency risk

A significant portion of the Company's revenues are transacted in U.S. dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant impact on the Company's cash flows and reported results. As a majority of the Company's operating expenses are also in United States dollars, operational foreign currency risk is limited.

At February 28, 2015, the following of the Company's financial assets and liabilities were denominated in U.S. dollars: accounts receivable of \$903,355. Additionally, included in the condensed consolidated statement of financial position is \$1,643,743 of cash and \$388,054 of accounts payable and accrued liabilities denominated in U.S. dollars. At February 28, 2014, the Company had cash of \$762,358 denominated in U.S. dollars.

The Company's revenues and expenses denominated in U.S. dollars for the period ended February 28, 2015 were USD \$999,854 and USD \$854,764, respectively. Accordingly, a 10 percent increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$14,509 increase or decrease net loss.

Fair value

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities. The fair value of loans receivable is disclosed in Note 5.

Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company.

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Financial instruments and financial risk management (continued)

Credit risk (continued)

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's revenues are concentrated to California. The Company had many customers during the course of the year and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by ensuring the eligibility of its patients for insurance or other coverage prior to admittance.

All of the Company's accounts receivable are neither past due nor impaired as it awaits formal recognition from insurers as a pre-approved service. As explained in Note 3, revenue is estimated to be the amount collectible from the insurer. Given the counterparty in these transactions, the Company considers the credit quality of these receivables to be high. Credit risk is generally limited to the risk that the estimated amount of revenue that can be collected is not accurate.

There were no provisions for doubtful accounts recorded during the period as amounts collected were not less than the amounts initially recognized as revenue (see Note 3).

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through its current cash position to continue operating for the foreseeable future. All financial liabilities are current and due within the next twelve months.

Other risk

The Company is not exposed to any significant interest rate risk as it does not have any borrowings and loans receivable that carry fixed rates of interest. The Company is not exposed to any significant price risk or other financial risks due to the nature of its business.

10. Capital management

The Company's objectives in managing capital are to maintain a strong capital base so as to preserve investor and creditor confidence; to ensure sufficient liquidity to service its debts, support capital projects and growth-oriented acquisitions; and to provide a return to shareholders.

Capital is used by the Company to finance capital expenditures and fund acquisitions that add to its ability to generate returns and meet long-term strategic growth objectives.

The Company sets the amount and type of capital required relative to its assessment of risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or modify its capital structure, the Company may adjust or defer the amount of dividends paid to shareholders, issue new shares, seek other forms of financing, or sell assets to reduce debt.

The Company manages its share capital, contributed surplus and deficit as capital.

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11. Related party transactions

On October 1, 2013, the Company entered into an agreement with Canons Park Advisors, Inc. ("Advisor"), an entity that is wholly owned by directors of the Company, in which the Advisor will act as a financial and management advisor to the Company. Pursuant to the terms of the agreement, the Advisor is entitled to a variety of payments based on certain milestones. As of February 28, 2015, \$38,062 (February 28, 2014 - \$30,000) has been accrued related to this agreement and these amounts are included in the disclosure of compensation of key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including executive directors. The total compensation of key management personnel is as follows:

	<i>February 28, 2015</i>	<i>February 28, 2014</i>
Salaries and short term benefits	\$30,000	\$30,000
Share based payments	\$8,062	-
	\$38,062	\$30,000

12. Commitments

The Company has property under operating leases. Included in facilities expense is \$122,086 related to these leases for the period ended February 28, 2015. Minimum aggregate payments on these leases in the future are as follows (in U.S. dollars):

Within 12 months	\$ 501,029
One to five years	\$ 1,650,697

The Board of Directors has approved a stock option plan, which it uses for grants to directors, officers, employees and consultants. Options granted under the plan are non-assignable and may be granted for a term not exceeding 10 years. A total of 8,165,000 options have been granted, of which 7,050,000 options have a strike price of \$0.10 that vest a third annually for three years with a contractual life of ten years, and 1,115,000 options have a strike price of \$0.20 that vest a third annually for three years with a contractual life of five years.

13. Loss per share

Loss per share is based on the consolidated net loss for the period divided by the weighted average number of shares outstanding during the period. Diluted loss per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

For the period ended February 28, 2015, the outstanding warrants were excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

The following reflects the earnings and share data used in the basic and diluted loss per share computations:

	<i>February 28, 2015</i>	<i>February 28, 2014</i>
Net loss	(\$163,282)	(\$28,288)
Basic weighted average number of shares	77,786,305	38,773,851
Basic and diluted loss per share	(\$ 0.002)	(\$ 0.0007)

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14. Accounting standards issued but not yet effective

The International Accounting Standards Board has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

Financial instruments – IFRS 9

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

Revenue – IFRS 15

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted.

15. Events after the reporting period

Subsequent to February 2015, an additional 23.2 million warrants and broker warrants, which were outstanding at February 28, 2015, have been exercised at a weighted average exercise price of \$0.193 for total gross proceeds of \$4.5 million.

On April 22, 2015 (the "Closing"), the Company closed on a bought deal private placement of 43,125,000 units. Each Unit consists of one common share in the capital of Convalo issued at \$0.40 per common share, and one warrant of Convalo. Each Warrant entitles the holder thereof to acquire one common share for an exercise price of \$0.50 per common share for a period of 36 months following the closing of the offering. The expiry date of the Warrants may be accelerated by Convalo at any time following the six-month anniversary of the Closing and prior to the expiry date of the Warrants if the volume-weighted average trading price of the Company's common shares is greater than \$0.60 for any 20 consecutive trading days. The Company received gross proceeds of \$17,250,000 and incurred cash share issuance costs of \$862,500. In addition, the Company issued 2,156,250 broker warrants to the underwriters.