ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington,
D.C.
20549
FORM
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Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended:

June 30, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ________________ to ________________

Commission File Number: 000-15078

ETHEMA HEALTH CORPORATION
(Exact name of registrant as specified in its charter)

Colorado 84-1227328
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

810 Andrews Avenue, Delray Beach, Florida 33483
(Address of principal executive offices and zip code)

(416) 222-5501
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation ST (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 21, 2017, there were 108,838,855 shares outstanding of the registrant's common stock.

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)

SIX MONTHS ENDED JUNE 30, 2017

TABLE OF CONTENTS

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)

PART I

Item 1. Financial Statements.

INDEX

(Expressed in US Dollars unless otherwise indicated)

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash	$ 30,683	$ 4,779
Accounts receivable	468,826	—
Prepaid expenses	9,486	2,710
Discontinued operations	—	183,219
Related party Receivables	89,002	84,867
Total current assets	597,997	275,575
Non-current assets		
Investment	—	110,000
Due on sale of subsidiary	1,253,747	—
Property, plant and equipment	12,019,227	—
Intangibles	1,438,525	—
Cash - Restricted	23,118	74,480
Total non-current assets	14,734,617	184,480
Total assets	$ 15,332,614	$ 460,055
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Bank overdraft	$ 19,511	$ 56,116
Accounts payable and accrued liabilities	420,743	374,317
Taxes payable	397,029	2,798,824
Convertible loans	516,201	250,258
Loans payable	3,234,684	—
Derivative liability	128,968	—
Related party payables	2,229,786	157,596
Total current liabilities	6,946,922	3,637,111
Non-current liabilities		
Loans payable	2,989,937	—
Total liabilities	9,936,859	3,637,111
Stockholders' equity (deficit)		
Preferred stock - Series A; $0.01 par value, 3,000,000 authorized, 0 outstanding as of June 30, 2017 and December 31, 2016	—	—
Preferred Stock - Series B; $0.01 par value, 10,000,000 authorized, 0 outstanding as of June 30, 2017 and December 31, 2016	—	—
Common stock; $0.01 par value, 500,000,000 shares authorized; 108,838,855 and 48,738,855 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	1,088,389	487,389
Additional paid-in capital	18,201,699	16,509,906
Accumulated other comprehensive income	770,871	807,563
Accumulated deficit	(14,665,204)	(20,981,914)
Total stockholders' equity (deficit)	5,395,755	(3,177,056)
Total liabilities and stockholders' equity (deficit)	$ 15,332,614	$ 460,055

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)
UNAUDITED CONDENSED CONSOLDATED STATEMENTS OF OPERATIONS

	Three months ended June 30, 2017	Three Months ended June 30, 2016	Six months ended June 30, 2017	Six Months ended June 30, 2016
Revenues	**$ 402,220**	**$ —**	**$ 724,730**	**$ —**
Operating expenses				
General and administrative	57,905	102,970	408,442	110,197
Professional fees	66,403	53,545	399,204	75,045
Salaries and wages	173,451	15,000	382,695	21,000
Depreciation and amortization	125,340	—	182,406	—
Total operating expenses	**423,099**	**171,515**	**1,372,747**	**206,242**
Operating loss	**(20,879)**	**(171,515)**	**(648,017)**	**(206,242)**
Other income (expense)				
Other income	63,960	12,508	568,309	12,508
Other expense	1,127,335	—	(392,539)	—
Interest income	—	—	32,074	—
Interest expense	(93,603)	(7,110)	(156,620)	(7,103)
Debt discount	(241,666)	(33,262)	(429,325)	(33,262)
Derivative liability movement	167,580	—	94,532	—
Foreign exchange movements	(6,438)	2,039	(164,347)	2,734
Net income (loss) before taxation from continuing operations	**996,289**	**(197,340)**	**(1,095,933)**	**(231,365)**
Taxation	—	—	—	—
Net income (loss) from continuing operations	**996,289**	**(197,340)**	**(1,095,933)**	**(231,365)**
Gain on disposal of business	—	—	7,494,828	—
Net income (loss)	**855,112**	**68,920**	**6,316,710**	**212,414**
Accumulated other comprehensive income (loss)				
Foreign currency translation adjustment	154,255	7,789	(36,692)	(215,276)
Total comprehensive income (loss)	**$ 1,009,367**	**$ 76,709**	**$ 6,280,018**	**$ (2,862)**
Basic income (loss) per common share from continuing operations	$ 0.01	$ —	$ (0.01)	$ —
Basic income per share from discontinued operations	$ —	$ —	$ 0.08	$ —
Basic income per common share	$ 0.01	$ —	$ 0.07	$ —
Diluted income (loss) per common share from continuing operations	$ 0.01	$ —	$ (0.01)	$ —
Diluted income per share from discontinued operations	$ —	$ —	$ 0.07	$ —
Diluted income per common share	$ 0.01	$ —	$ 0.06	$ —
Weighted average common shares outstanding - Basic	108,772,921	47,991,602	93,838,855	47,865,229
Weighted average common shares outstanding - Diluted	119,908,308	49,192,552	104,974,243	49,066,179

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ETHEMA HEALTH CORPORATION
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UNAUDITED CONDENSED CONSOLDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

	Common Shares	Common Amount	Additional Paid in Capital	Comprehensive Income	Accumulated Deficit	Total
Balance at January 1, 2017	48,738,855	$ 487,389	$ 16,509,906	$ 807,563	$ (20,981,914)	$ (3,177,056)
Shares issued to acquire subsidiary	60,000,000	600,000	1,584,000	—	—	2,184,000
Shares issued for services	100,000	1,000	3,000	—	—	4,000
Fair value of warrants issued	—	—	104,793	—	—	104,793
Foreign currency translation	—	—	—	(36,692)	—	(36,692)
Net income	—	—	—	—	6,316,710	6,316,710
Balance as of June 30, 2017	**108,838,855**	**$1,088,389**	**$18,201,699**	**$ 770,871**	**$(14,665,204)**	**$5,395,755**

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)
UNAUDITED CONDENSED CONSOLDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating activities		
Net income	$ 6,316,710	$ 212,414
Net income from discontinued operations	$ (7,412,643)	$ (443,779)
Net loss from continuing operations	$ (1,095,933)	$ (231,365)
Adjustment to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	182,406	—
Non cash compensation expense on acquisition of subsidiary	373,274	—
Loss on mortgage sold	19,265	
Non cash compensation for services	4,000	50,000
Other foreign exchange movements	(27,476)	7,238
Amortization of debt discount	429,325	33,262
Derivative liability movements	(94,532)	—
Provision against receivable on sale of subsidiary	(446,476)	—
Changes in operating assets and liabilities		
Accounts receivable	(327,351)	—
Prepaid expenses	(6,776)	(90,015)
Accounts payable and accrued liabilities	(150,095)	(292,787)
Taxes payable	(2,401,665)	231,588
Net cash used in operating activities - continuing operations	**(3,542,034)**	**(292,079)**
Net cash provided by operating activities - discontinued operations	**101,033**	423,018
	(3,441,001)	**130,939**
Investing activities		
Investments in Seastone	(2,960,000)	—
Proceeds from restricted cash	51,362	—
Investment in deposits	—	(207,158)
Purchase of fixed assets	(8,878)	—
Net cash used in investing activities - continuing operations	**(2,917,516)**	**(207,158)**
Net cash provided by (used in) investing activities - discontinued operations	**6,241,082**	**(1,053)**
	3,323,566	**(208,211)**
Financing activities		
(Decrease) Increase in bank overdraft	(36,605)	15,834
Repayment of loan payable	—	(3,443)
Proceeds from short-term notes	—	283,386
Repayment of short-term note	—	(107,639)
Proceeds from mortgage sold	111,554	—
Repayment of mortgage	(85,613)	—
Proceeds from convertible notes	294,500	—
Repayment of convertible notes	(130,000)	—
Proceeds from related party notes	26,195	153,273
Net cash provided by financing activities	180,031	341,411
Effect of exchange rate on cash	(36,692)	(215,276)
Net change in cash	25,904	48,863
Beginning cash balance	4,779	174
Ending cash balance	$ 30,683	$ 49,037
Supplemental cash flow information		
Cash paid for interest	$ 153,817	$ 7,548
Cash paid for income taxes	$ —	$ —

Non cash investing and financing activities		
Common shares issued to acquire subsidiary	$ 2,184,000	$ —
Assumption of mortgage liabilities on acquisition of subsidiary	$ 3,145,549	$ —

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

1. Nature of Business

Ethema Health Corporation (the "Company") was incorporated under the laws of the state of Colorado, USA, on April 1, 1993. Effective April 4, 2017, the Company changed its name to Ethema Health Corporation and prior to that, on May 2012, the Company had changed its name to GreeneStone Healthcare Corporation from Nova Natural Resources Corporation. As of June 30, 2017, the Company owned 100% of the outstanding shares of GreeneStone Clinic Muskoka Inc., incorporated in 2010 under the laws of the Province of Ontario, Canada; Cranberry Cove Holdings Ltd., incorporated on January 9, 2004 under the laws of the Province of Ontario, Canada. and Seastone Delray Healthcare, LLC, incorporated on May 17, 2016 under the laws of Florida, USA; and Delray Andrews RE, LLC, incorporated on May 17, 2016 under the laws of Florida, USA.

During December 2016, the Company obtained a license to operate and provide addiction treatment healthcare services in Florida, USA. The company commenced operations under this license with effect from January 2017.

On February 14, 2017, the Company completed a series of transactions (referred to collectively as the "Restructuring Transactions"), including a Share Purchase Agreement (the "SPA") whereby the Company acquired 100% of the stock of Cranberry Cove Holdings Ltd., which holds the real estate on which the Company's Rehabilitation Clinic ("the Canadian Rehab Clinic") operates, an asset purchase agreement (the "APA") and lease (the "Lease") whereby the Company sold all of the Canadian Rehab Clinic business assets and leased the real estate to the buyer, and a real estate purchase agreement and asset purchase agreement whereby the Company purchased the real estate and business assets of Seastone Delray (the "Florida Purchase").

The Share Purchase Agreement
Under the SPA, the Company acquired 100% of the stock of Cranberry Cove Holdings Ltd. ("CCH") from Leon Developments Ltd. ("Leon Developments"), a company wholly owned by Shawn E. Leon, who is the President, CEO, and CFO of the Company ("Mr. Leon"). CCH owns the real estate on which the Canadian Rehab Clinic is located. The total consideration paid by the Company was CDN$3,517,062, including the assumption of certain liabilities of CCH, which was funded by the assignment to Leon Developments of certain indebtedness owing to the Company in the amount of CDN$659,918, and the issuance of 60,000,000 shares of the Company's common stock to Leon Developments, valued at US$0.0364 per share.

The Asset Purchase Agreement and Lease
Under the APA, the assets of the Canadian Rehab Clinic were sold by the Company, through its subsidiary, GreeneStone Clinic Muskoka Inc. ("Muskoka"), to Canadian Addiction Residential Treatment LP (the "Purchaser"), for a total consideration of CDN$10,000,000, plus an additional performance payment of up to CDN$3,000,000 as a performance payment to be received in 2019 if certain clinic performance metrics are met. The Purchaser completed the sale with cash proceeds to the Company of CDN$10,000,000, of which CDN$1,500,000 will remain in escrow for up to two years to cover indemnities given by the Company. The proceeds of the Muskoka clinic asset sale were used to pay down certain tax debts and operational costs of the Company and to fund the Florida Purchase, mentioned below.

Through the APA, substantially all of the assets of the Canadian Rehab Clinic were sold, leaving Ethema with only the underlying clinic real estate, which the Company, through its newly acquired subsidiary, CCH concurrently leased to the Purchaser. The Lease is a triple net lease and provides for a five (5) year primary term with three (3) five year renewal options, annual base rent for the first year at CDN$420,000 with annual increases, an option to tenant to purchase the leased premises and certain first refusal rights.

The Florida Purchase
Immediately after closing on the sale of the assets of the Canadian Rehab Clinic, the Company closed on the acquisition of the business and real estate assets of Seastone Delray pursuant to certain real estate and asset purchase agreements This business is operated through its wholly owned subsidiary Seastone. The purchase price for the Seastone assets was US$6,070,000 financed

with a purchase money mortgage of US$3,000,000, and US$3,070,000 in cash.

1. Nature of Business (continued)

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim consolidated financial information and Rule 8-03 of Regulation SX. Accordingly, these unaudited condensed consolidated financial statements do not include all the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

All adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included in these unaudited condensed consolidated financial statements. Operating results for the three and six month period presented are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2016 has been derived from audited consolidated financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2016.

2. Summary of Significant Accounting Policies

a) Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

b) Principals of consolidation and foreign currency translation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, its subsidiary. All intercompany transactions and balances have been eliminated on consolidation.

The Company previously owned an operational subsidiary whose functional currency was the Canadian dollar, while the Company's reporting currency is the U.S. dollar. The Company recently acquired a property-owning subsidiary, CCH, whose functional currency is the Canadian dollar. All transactions initiated in Canadian dollars are translated into US dollars in accordance with ASC 830, "Foreign Currency Translation" as follows:

- Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date.
- Equity at historical rates.
- Revenue and expense items at the average rate of exchange prevailing during the period.

Adjustments arising from such translations are deferred until realization and are included as a separate component of stockholders' deficit as a component of accumulated other comprehensive income or loss. Therefore, translation adjustments are not included in determining net income (loss) but reported as other comprehensive income (loss).

For foreign currency transactions, the Company translates these amounts to the Company's functional currency at the exchange rate effective on the invoice date. If the exchange rate changes between the time of purchase and the time actual payment is made, a foreign exchange transaction gain or loss results which is included in determining net income for the period.

The relevant translation rates are as follows: For the six months ended June 30, 2017; a closing rate of CAD$1.0000 equals US$0.7706 and an average exchange rate of CAD$1.0000 equals US$0.7437.

c) Cash and cash equivalents

The Company's policy is to disclose bank balances under cash, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

The Company has $23,118 (CAD$30,000) in restricted cash held by their bank to cover against the possibility of credit card charge backs, for services not performed. The Company is working on releasing these funds as it no longer operates the Canadian Rehab Clinic, which was sold on February 14, 2017.

2. Summary of Significant Accounting Policies (continued)

d) Revenue Recognition

The Company has two operating segments from which it derives revenues, i) rental income from leasing of a rehabilitation facility to third parties and ii) in-patient revenues for rehabilitation services provided to customers. Revenue is recognized as follows:

i. **Rental Income**
In terms of the lease agreement entered into, on a monthly basis as long as the facility is utilized by the tenant

ii. ***In-patient revenue***
The customers have been treated and provided with services by the Company; there is clear evidence that an arrangement exists; the amount of revenue and related costs can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the Company.

In particular, the Company recognizes fees for inpatient addiction treatments proportionately over the term of the patient's treatment.

Deferred revenue represents monies deposited by the patients for future services to be provided by the Company. Such monies will be recognized into revenue as the patient progresses through their treatment term.

e) Recent accounting pronouncements

In May 2017, the FASB issued Accounting Standards Update No. ("ASU") 2017-09, Compensation – Stock Compensation, an amendment to Topic 718. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.2. An entity should account for the effects of a modification unless all the following are met:

1. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification.
2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.
3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.

The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. The amendments in this Update are effective for all entities for annual periods beginning after December 15,2017. Early adoption is permitted and should be applied prospectively to an award modified on or after the adoption date. The amendments proposed in this ASU are not expected to have a material impact on our consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

e) Recent accounting pronouncements (continued)

In May 2017, the FASB issued ASU 2017-10, service concession Arrangements, an amendment to Topic 853. Topic 853 provides guidance for operating entities when they enter into a service concession arrangement with a public-sector grantor who both:

a) Controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide them, and at what price
b) Controls, through ownership, beneficial entitlement, or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement.

In a service concession arrangement within the scope of Topic 853, the operating entity should not account for the infrastructure as a lease or as property, plant, and equipment. An operating entity should refer to other Topics to account for various aspects of a service concession arrangement. For example, an operating entity should account for revenue relating to construction, upgrade, or operation services in accordance with Topic 605, Revenue Recognition, or Topic 606, Revenue from Contracts with Customers.

The amendments in this Update apply to the accounting by operating entities for service concession arrangements within the scope of Topic 853. These updates are effective when the Company adopts the updates to Topic 606. The amendments proposed in this ASU are not expected to have an impact on our consolidated financial statements.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

f) Financial instruments

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date, June 30, 2017 and December 31, 2016.

i. 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. Financial instruments that subject the Company to credit risk consist primarily of accounts receivable.

Credit risk associated with accounts receivable of Seastone of Delray is mitigated as only a percentage of the revenue billed to health insurance companies is recognized as income until such time as the actual funds are collected. The revenue is concentrated amongst several health insurance companies located in the US.

In the opinion of management, credit risk with respect to accounts receivable is assessed as low.

ii. Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to liquidity risk through its working capital deficiency of $6,348,925 and accumulated deficit of $14,665,204. As disclosed in note 6, the Company will be dependent upon the raising of additional capital in order to implement its business plan. There is no assurance that the Company will be successful with future financing ventures, and the inability to secure such financing may have a material adverse effect on the Company's financial condition. In the opinion of management, liquidity risk is assessed as high, material and remains unchanged from the prior year.

2. Summary of Significant Accounting Policies (continued)

f) Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, currency risk, and other price risk. The Company is exposed to interest rate risk and currency risk.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to minimal interest rate risk on its bank indebtedness as there is a balance owing of $19,511 as of June 30, 2017. This liability is based on floating rates of interest that have been stable during the current reporting period. In the opinion of management, interest rate risk is assessed as low, not material and remains unchanged from the prior year.

b. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is subject to currency risk as its subsidiaries operate in Canada and are subject to fluctuations in the Canadian dollar. A substantial portion of the Company's financial assets and liabilities are denominated in Canadian dollars. Based on the net exposures at June 30, 2017, a 5% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an approximate $5,900 increase or decrease in the Company's after tax net income from operations. The Company has not entered into any hedging agreements to mediate this risk. In the opinion of management, currency risk is assessed as low, material and remains unchanged from the prior year.

c. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. In the opinion of management, the Company is not exposed to this risk and remains unchanged from the prior year.

g) Derivative instrument liability

The Company accounts for derivative instruments in accordance with ASC815, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedging relationships and the types of relationships designated are based on the exposures hedged. At June 30, 2017, the Company had a derivative liability amounting to $128,968.

2. Summary of Significant Accounting Policies (continued)

h) Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities." Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of Conventional Convertible Debt Instrument." The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying Common Stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying Common Stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

3. Disposal of Business

On February 14, 2017, in terms of the details outlined in note 1 above, the Company disposed of the business and certain assets of its Canadian Rehab Clinic for gross proceeds of CDN$10,000,000, a total of CDN$1,500,000 of the gross proceeds is being held in escrow for up to two years, in addition there is an earnout payment of up to CDN$3,000,000 to be received in 2019, if certain clinic performance metrics are met, see note 8 below.

The proceeds realized from the sale of the Canadian Rehab Clinic were used to settle outstanding tax liabilities, refer note 11 below, and to acquire the business of Seastone of Delray, refer note 5 below.

The proceeds realized on disposal have been allocated as follows:

	Amount
Proceeds on disposal	**$7,644,0**
Assets sold:	
Accounts receivable	113,8
Plant and equipment	109,0
	222,9
Liabilities assumed by purchaser	
Deferred revenue	(73,7
Net assets and liabilities sold	**149,1**
Net profit realized on disposal	**$7,494,8**

4. Acquisition of subsidiary

On February 14, 2017, the Company acquired 100% of the equity of CCH, from Leon Developments, a company wholly owned by our CEO. The total consideration paid by the Company was CDN$3,517,062, including the assumption of certain liabilities of CCH, which was funded by the assignment to Leon Developments of certain indebtedness owing to the Company in the amount of CDN$659,918 (US$504,442) on the disposal of a subsidiary, 1816191 Ontario, which principal amount had previously been fully provided for during 2015; and the issuance of 60,000,000 shares of the Company's common stock at US$0.0364 per share for proceeds of $2,184,000.

During the current quarter, on June 1, 2017, the Company had the property owned by CCH appraised by an independent valuer, the appraisal obtained was for CDN$10,000,000, which resulted an increase in the value of the assets acquired by $1,146,600 and a corresponding reduction in the excess purchased consideration allocated to the shareholder.

The allocation of the purchase price is as follows:

	Amount
Purchase price paid:	
Common shares issued to Seller	$ 2,184,0
Receivable assumed by the Seller	504,4
	2,688,4
Allocated as follows:	
Assets acquired:	
Property	7,644,0
Receivable from Ethema Health Corporation	299,7
	7,943,7
Liabilities assumed:	
Accounts payable and other accruals	158,0
Related party payable to Leon Developments	2,057,3
Mortgage liability owing to Ethema Health Corporation	267,5
Mortgage liability	3,145,5
	5,628,5
Net assets acquired	2,315,1
Excess purchase consideration allocated to shareholders compensation	$ 373,2

5. Acquisition of the business of Seastone of Delray

The Company, utilized a portion of the proceeds realized on the sale of the Canadian Rehab Clinic to acquire certain assets of Seastone of Delray.

The Company obtained its own license to run a rehabilitation Clinic in Florida in December 2016 and began operations, through its wholly owned subsidiary, Seastone of Delray, LLC, effective January 2017.

5. Acquisition of the business of Seastone of Delray (continued)

The assets acquired were as follows:

	Amount
Purchase price paid:	
Cash paid to seller	$ 2,960,0
Deposits previously paid to seller	110,0
Mortgage liability funds	3,000,0
	6,070,0
Assets acquired:	
Property	4,410,0
Furniture and fixtures	80,0
Intangibles - to be classified	1,438,5
Receivables	141,4
	$ 6,070,0

6. Going Concern

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with US GAAP applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations in the normal course of business. As of June 30, 2017, the Company has a working capital deficiency of $6,348,925 and accumulated deficit of $14,665,204. Management believes that current available resources will not be sufficient to fund the Company's planned expenditures over the next 12 months. Accordingly, the Company will be dependent upon the raising of additional capital through placement of common shares, and/or debt financing in order to implement its business plan, and, or generating sufficient revenue in excess of costs. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain geographical areas, or techniques that it might otherwise seek to retain. There is no assurance that the Company will be successful with future financing ventures, and the inability to secure such financing may have a material adverse effect on the Company's financial condition. These unaudited condensed consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The ability of the Company to continue as a going concern is dependent on the Company generating cash from the sale of its common stock or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirement and ongoing operations; however, there can be no assurance the Company will be successful in these efforts.

7. Discontinued Operations

On February 14, 2017, the Company completed a series of transactions, including an APA whereby the Company sold certain of the Canadian Rehab Clinic assets. The assets disposed of business represented substantially all of the operating assets of the Canadian Rehab Clinic and has been disclosed as a discontinued operation for comparative purposes as of December 31, 2016 and for the three and six month period ended June 30, 2017 and 2016. Refer note 3 above.

7. Discontinued Operations (continued)

The assets and liabilities of discontinued operations as of December 31, 2016 is as follows:

		Decembe 31, 2016
Current assets		
Accounts receivable, net	$	123,3
Prepaid expenses and other current assets		11,2
Total current assets		**134,6**
Non-current assets		
Plant and equipment, net		129,1
Deposits		
Total assets		**263,7**
Current liabilities		
Deferred revenues		80,5
Discontinued operation		183,2

The statement of operations for discontinued operations is as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30 2016
Revenues	$ (112)	$ 1,024,384	$ 232,040	$ 1,847,2
Operating expenses				
Depreciation and amortization	—	15,412	4,196	30,7
General and administrative	31,330	187,589	118,706	343,4
Professional fees	33,466	—	32,818	6,1
Rent	2,975	105,721	47,493	180,1
Salaries and wages	(31,913)	423,464	201,723	811,9
Total operating expenses	**35,858**	**732,186**	**404,936**	**1,372,4**
Operating (loss) income	(35,970)	**292,198**	(172,896)	**474,7**
Other Income				
Profit on sale of business	—	—	7,494,828	
Other income	—	21,042	—	21,0
Interest expense	(204)	(38,547)	(993)	(76,7
Foreign exchange movements	(105,003)	(8,433)	91,704	24,7
Net income before taxation	(141,177)	266,260	7,412,643	443,7
Taxation	—	—	—	
Net income from discontinued operations	$ (141,177)	$ 266,260	$ 7,412,643	$ 443,7

8. Due from sale of subsidiary

A net amount of CDN$617,960 was due to the Company on the sale of the Endoscopy Clinic as of December 31, 2016. This amount was past due and had fully provided for as of December 31, 2016.

On February 14, 2017, the Company acquired CCH from Leon Developments and settled a portion of the purchase consideration by assigning the proceeds due to the Company on the sale of the Endoscopy Clinic to Leon Developments. The note together with accrued interest thereon of CDN$41,959 amounted to CDN$659,919 (US$504,442). The provision raised against the note was reversed and the unrecorded interest thereon was recognized during the current quarter.

8. Due from sale of subsidiary (continued)

On February 14, 2017, the Company sold its Canadian Rehab Clinic for gross proceeds of CDN$10,000,000, of which CDN$1,500,000 (US$1,155,900) has been retained in an escrow account for a period of up to two years in order to guarantee the warranties provided by the Company in terms of the APA. In addition, the Company may earn up to an additional CDN$3,000,000 as a performance payment based on the attainment of certain clinic performance metrics. The Company estimates that the earnout will approximate $663,000 and is accruing this additional amount over a period of twenty three and a half months. The accrual is recorded as other income, as of June 30, 2017, the company had accrued $97,847 (at closing exchange rates) as additional income.

9. Property, plant and equipment

Property, plant and equipment consists of the following:

	June 30, 2017			December 31, 2016
	Cost	**Amortization and Impairment**	**Net book value**	**Net book value**
Property	$ 12,124,997	$ (176,770)	$ 11,948,227	$ -
Furniture and fixtures	80,000	(9,000)	71,000	-
	$12,204,997	**(185,770)**	**$12,019,227**	**$ -**

Depreciation expense for the three months ended June 30, 2017 and 2016 was $125,340 and $0, respectively, and for the six months ended June 30, 2017 and 2016 was $182,406 and $0, respectively.

10. Intangibles

In terms of the acquisition of Seastone of Delray, the Company paid an amount of $1,438,525 (Note 1 above) in excess of the fair market value of the assets acquired. This amount will be allocated to different classes of intangible assets when an independent valuation of the intangibles is performed.

11. Taxes Payable

The Company settled the tax liabilities owing to the Canadian Revenue Authorities out of the proceeds of the disposal of the Canadian Rehab Clinic on February 14, 2017. The Company paid CDN$2,929,886 to settle outstanding payroll liabilities, CDN$441,598 to settle outstanding GST/HST liabilities and a further CDN$ 57,621 to settle other Canadian tax liabilities.

The remaining taxes payable consist of:

- A payroll tax liability of $147,027 (CDN$190,800) in Greenestone Muskoka which has not been settled as yet.
- The Company has assets and operates businesses in Canada and is required to disclose these operations to the US taxation authorities, the requisite disclosure has not been made. Management has reserved the maximum penalty due to the IRS in terms of non-disclosure. This noncompliance with US disclosure requirements is currently being addressed. An amount of $250,000 has been accrued for any potential exposure the Company may have.

ETHEMA HEALTH CORPORATION
(formerly Greenstone Healthcare Corporation)
NOTES TO THE UNAUDITED CONDENSED CONSOLDATED FINANCIAL STATEMENTS

12. Short-term Convertible Notes

The short-term convertible notes consist of the following:

	Interest rate	Maturity date	Principal Outstanding	Accrued interest	Unamortized Discount	June 30, 2017	Decemb 31, 201
Labrys Fund, LP	8.0%	August 2, 2017	$ —	$ —	$ —	$ —	$
Power Up Lending Group LTD.	12.0%	March 20, 2018	$ 113,500	$ 410	$ (108,943)	$ 4,967	$
Series L Convertible notes	0.0%	June 30, 2017 to July 17, 2017	519,969	—	(8,735)	511,234	250,2
			$ 633,469	**$ 410**	**$ (117,678)**	**$516,201**	**$ 250,2**
Disclosed as follows:							
Short-term portion						$516,201	$ 250,2
Long-term portion						—	
						$516,201	**$ 250,2**

Labrys Fund, LP
On February 2, 2017, the Company entered into a Securities Purchase Agreement with LABRYS FUND LP, in terms of the agreement the Company borrowed $110,000 in terms of an unsecured convertible promissory note with a maturity date of August 2, 2017. The note bears interest at a rate of 8% per annum. The note is only convertible upon a repayment default, at the lower of 60% of the lowest traded price over the preceding 30 day trading period prior to the issuance of this note or 60% of the lowest traded price 30 days prior to the conversion date. The Company issued 1,200,000 common shares to the note holder as a commitment fee which returnable shares will be returned to the company if fully repaid prior to August 2, 2017.

On May 26, 2017, the Company repaid the note for gross proceeds of $112,744, including interest thereon of $2,744. The 1,200,000 commitment fee shares were returned to the Company.

Power Up Lending Group LTD
On June 19, 2017, the Company, entered into a Securities Purchase Agreement with Power Up Lending Group Ltd., pursuant to which the Company issued to the Purchaser a Convertible Promissory Note in the aggregate principal amount of $113,500. The Note has a maturity date of March 20, 2018 and bears interest at the at the rate of eight percent per annum from the date on which the Note is issued until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. The Company shall have the right to prepay the Note in terms of agreement. The outstanding principal amount of the Note is convertible at any time and from time to time at the election of the Purchaser during the period beginning on the date that is 180 days following the issue date into shares of the Company's common stock at a conversion price equal to 61% of the average lowest closing bid prices of the Company's common stock for the ten trading days prior to conversion. The balance of the Note plus accrued interest at June 30, 2017 was $4,967, net of unamortized discount of $108,943.

Series L convertible notes
The Company entered into Series L Convertible Securities Purchase Agreements with 8 individuals on December 30, 2016. In terms of these agreements, the Company borrowed an aggregate principal amount of $468,969 in terms of a senior ranking convertible promissory note with a maturity date six months from the issue date and bearing interest at 0% per annum. The notes are convertible at the option of the holder into shares of common stock of the Company at a conversion price of $0.03 per share, subject to certain recapitalization adjustments. On December 30, 2016, it was determined that the beneficial conversion feature related to the discounted note and warrant issuances amounting to $218,711 would be amortized over the life of the loans.

During January 2017, the Company borrowed a further aggregate principal amount of $71,000 in terms of three senior ranking convertible promissory notes with a maturity date six months from the issue date and bearing interest at 0% per annum. The notes are convertible at the option of the holder into shares of common stock of the Company at a conversion price of $0.03 per share, subject to certain recapitalization adjustments. In January 2017, it was determined that the beneficial conversion feature related to the discounted note and warrant issuances amounting to $104,793 would be amortized over the life of the loans.

12. Short-term Convertible Notes (continued)

On May 4, 2017, the Company repaid $20,000 of the principal outstanding to one investor.

The amortization charge of the debt discount for the three months and six months ended June 30, 2017 was $161,750 and $314,769, respectively.

In terms of the Series L Convertible notes issued above, during January 2017, the Company granted three year warrants to the Series L Convertible noteholders, exercisable for 2,366,667 shares of common stock at an exercise price of $0.03, subject to certain recapitalization adjustments, per share, expiring between January 16 and January 17, 2020. (Refer note 16 (b) below).

13. Derivative liability

The short-term convertible notes issued to Labrys Fund LP and Power Up Lending Group, LTD, disclosed in note 12 above, have variable priced conversion rights with no fixed floor price and will reprice dependent on the share price performance over varying periods of time. This gives rise to a derivative financial liability, which was initially valued at inception of the convertible notes at $223,500, the maximum amount permissible, using a Black-Scholes valuation model.

The Labrys Fund note was repaid in May 2017; therefore, the derivative liability was no longer required, the total derivative liability relating to this note of $183,048 was released to the statement of operations. The value of the Power Up convertible note was re-assessed as of June 30, 2017 and a further charge of $15,468 was made to the statement of operations. The value of the derivative liability will be re assessed at each financial reporting period, with any movement thereon recorded in the statement of operations in the period in which it is incurred.

The following assumptions were used in the Black-Scholes valuation model:

	Six month ended June 30, 201
Calculated stock price	$0.03 to $0.
	0.64%
Risk free interest rate	1.24
Expected life of convertible notes	3 to 9 mont
	134.9%
expected volatility of underlying stock	180.5

The movement in derivative liability is as follows:

		Six month ended June 30, 2017
Opening balance	$	
Derivative liability arising from convertible notes	$	223,5
Fair value adjustment to derivative liability		(94,5
	$	128,9

14. Related Party Transactions

Greenstone Clinic Inc.

As of June 30, 2017, the Company had a receivable of $63,471 and as of December 31, 2016, the Company had a payable of $79,592, respectively. Greenstone Clinic Inc., is controlled by one of the Company's directors. The balance payable is noninterest bearing, not secured and has no specific repayment terms.

14. Related Party Transactions (continued)

1816191 Ontario

As of June 30, 2017, and December 31, 2016, the Company had a payable of $16,055 and $70,763, respectively, to 1816191 Ontario, the Endoscopy Clinic, which was sold at the end of the prior year. The payable is noninterest bearing, and has no specific repayment terms.

Shawn E. Leon

As of June 30, 2017, and December 31, 2016 the Company had a receivable of $25,531 and a payable of $8,492, respectively to Shawn E. Leon, a director and CEO of the Company. The balances receivable and payable are noninterest bearing and have no fixed repayment terms.

Mr. Leon was paid management fees of $100,000 during the six months ended June 30, 2017. In addition to this the Company recorded a once off compensation expense in other expenses, relating to the excess of the fair value of the assets acquired in Cranberry Cove Holdings, Ltd. Mr. Leon is the owner of Leon Developments, the counterparty in the acquisition of the Cranberry Cove subsidiary referred to in note 1 and 4 above.

Leon Developments, Ltd.

The Company acquired CCH from Leon Developments, Ltd., on February 14, 2017, refer note 1 and 4 above. CCH owns the facility utilized by the Canadian Rehab Clinic which was sold to a third party on February 14, 2017. CCH owed CDN$2,692,512 to Leon Developments, this amount has remained unchanged since acquisition. The amount owing is valued at $2,213,731 as of June 30, 2017.

Cranberry Cove Holdings Ltd.

The Company acquired CCH on February 14, 2017. CCH owns the real estate previously utilized by the Canadian Rehab Clinic and now utilized by the purchaser of the business. As of December 31, 2016, the Company had a receivable of $84,867 from CCH.

Prior to the acquisition of CCH, the Company paid rental expense to CCH of CDN$58,925 and CDN$226,250 for the six months ended June 30, 2017 and 2016, respectively.

15. Loans payable

On February 14, 2017, the Company acquired 100% of the equity of CCH, from Leon Developments. The subsidiary has certain mortgage indebtedness amounting to CDN$4,115,057 (US$3,145,549) at the date of acquisition, which was assumed by the Company.

On February 14, 2017, the Company acquired certain assets of Seastone of Delray, including fixed property. A portion of the purchase consideration was funded by a purchase money mortgage secured over the properties acquired, amounting to $3,000,000.

The loans payable is as follows:

	Interest rate	Maturity date	Principal Outstanding	Accrued interest	June 30, 2017	Decemb 31, 201
Cranberry Cove Holdings						
First Mortgage	8.0%	August 14, 2017	$ 2,822,979	$ —	$2,822,979	$ -
Second Mortgage	12.0%	November 4, 2018	404,562	1,663	406,225	-
Seastone of Delray						
Mortgage	5.0%	February 13, 2020	2,989,937	5,480	2,995,417	-
			$ 6,217,478	**$ 7,143**	**$6,224,621**	**$ -**
Disclosed as follows:						
Short-term portion					$3,234,684	$ -
Long-term portion					2,989,937	-
					$6,224,621	**$ -**

15. Loans payable (continued)

The aggregate amount outstanding is payable as follows:

	Amoun
2017	$ 3,234,68
2018	-
2019	-
2020	2,989,93
Total	**$ 6,224,62**

Cranberry Cove Holdings
The first mortgage with an aggregate principal amount outstanding of CDN$3,500,000, including late charges, interest and penalties of CDN$165,057 for a gross aggregate amount outstanding of CDN$3,663,380, over the Cranberry Cove Holdings properties is secured by the property located at 3571 Muskoka Road, #169, Bala, described as PT LT 15 CON F Medora PT1 35R5958, PT 2 &3 35R11290, Muskoka Lakes. The mortgage bears interest at the rate of 8% per annum on the aggregate principal outstanding of $3,500,000 and matures on August 14, 2017, with monthly interest payments of $23,118 (CDN 30,000).

During March 2017, the Company made a principal payment of CDN$100,000 on the first mortgage.

The second mortgage had an initial principal amount outstanding of CDN$350,000, on May 23, 2017, the Company sold CDN$175,000 of the mortgage it owned to the second mortgage holder for gross proceeds of CDN$150,000, the balance outstanding on the second mortgage is now CDN$525,000, the mortgage is secured by the Cranberry Cove Holdings properties located at 3571 Muskoka Road, #169, Bala, described as PT LT 15 CON F Medora PT1 35R5958, PT 2 &3 35R11290, Muskoka Lakes. The mortgage bears interest at the rate of 12% per annum on the aggregate principal outstanding of CDN$525,000, and matures on November 4, 2018, with monthly interest payments of CDN$3,500.

Seastone of Delray
The Company entered into a Mortgage and Security Agreement with Seastone Delray Healthcare, LLC on February 13, 2017 for the aggregate principal sum of $3,000,000, bearing interest at the rate of 5% per annum, maturing on February 13, 2020, with monthly repayments of interest and principal of $15,000. The proceeds of the mortgage of $3,000,000 was used to fund the acquisition of the Seastone Delray properties, described as follows:

Parcel 1, Moore's Landing according to the Plat thereof, as recorded in Plat Book 42, page 72, Public Records of Palm Beach County, Florida

Unit numbers 1 to 10, inclusive of Seastone Condominium Apartments, a Condominium, according to The Declaration of Condominium recorded on O.RT. Book 3313, Page 122 and all exhibits thereof, Public Records of Palm Beach County, Florida.

16. Stockholders' equity (deficit)

a) Common shares

On February 2, 2017, the Company issued 1,200,000 common shares to a convertible note holder in terms of a returnable commitment fee. The shares are returnable to the Company if the convertible note is repaid prior to maturity, failing which the commitment fee will be earned. These shares were not accounted for as issued as the probability of the commitment fee being assessed was not probable or certain. The convertible loan was repaid and the 1,200,000 common shares were returned to the Company, refer note 12 above.

On February 14, 2017, in terms of the acquisition of 100% of the capital stock of Cranberry Cove Holdings Ltd. ("CCH") from Leon Developments, the Company funded a portion of the acquisition by the issuance of 60,000,000 shares of the Company's common stock at a market value of US$0.0364 per share, totaling $2,184,000, refer note 1 and 4 above.

On May 30, 2017, the Company issued 100,000 common shares to a vendor in lieu of services rendered at a market value of US$0.04 per share.

16. Stockholders' equity (deficit) (continued)

b) Warrants

In terms of the short-term Series L Convertible notes entered into with 3 parties, as disclosed in note 12 above, the Company awarded three year warrants exercisable over 2,366,666 shares of common stock, at an exercise price of $0.03 per share.

The fair value of Warrants awarded during the six months ended June 30, 2017 were valued at $94,620 using the Black Scholes pricing model utilizing the following weighted average assumptions:

	Six mon ended Ju 2017
Calculated stock price	$
Risk free interest rate	
Expected life of warrants (years)	3
expected volatility of underlying stock	
Expected dividend rate	

The movements in warrants is summarized as follows:

	No. of shares	Exercise price per share	Weig aver exer pri
Outstanding January 1, 2016	6,300,000	$0.0033 to $0.03	$
Granted	19,337,409	0.03	
Forfeited/cancelled	(6,000,000)	0.15	
Exercised	—	—	
Outstanding December 31, 2016	19,637,409	$0.0033 to $0.03	
Granted	2,366,666	0.03	
Forfeited/cancelled	—	—	
Exercised	—	—	
Outstanding June 30, 2017	22,004,075	$0.033 to $0.03	$

The following table summarizes information about warrants outstanding at June 30, 2017:

	Warrants outstanding			Warrants exerci	
Exercise price	**No. of shares**	**Weighted average remaining years**	**Weighted average exercise price**	**No. of shares**	**Wei ave exe pr**
$0.0033	300,000	*		300,000	
$0.03	21,704,075	2.69		21,704,075	
	22,004,075	2.69	$ 0.03	22,004,075	$

* In terms of an agreement entered into with an investor relations company, 300,000 warrants were to be issued as part of the Investor Relations Agreement. These warrants have not been issued as yet, therefore the warrant terms are uncertain.

All of the warrants outstanding as of June 30, 2017 are vested. The warrants outstanding as of June 30, 2017 have an intrinsic value of $668,123.

16. Stockholders' equity (deficit) (continued)

c) Stock options

Our board of directors adopted the GreeneStone Healthcare Corporation 2013 Stock Option Plan (the "Plan") to promote our long- term growth and profitability by (i) providing our key directors, officers and employees with incentives to improve stockholder value and contribute to our growth and financial success and (ii) enable us to attract, retain and reward the best available persons for positions of substantial responsibility. A total of 10,000,000 shares of our common stock have been reserved for issuance upon exercise of options granted pursuant to the Plan. The Plan allows us to grant options to our employees, officers and directors and those of our subsidiaries; provided that only our employees and those of our subsidiaries may receive incentive stock options under the Plan. We have granted a total of 480,000 options as of June 30, 2017 under the Plan.

No options were issued, exercised or cancelled for the period under review.

The following table summarizes information about options outstanding as of June 30, 2017.

	Options outstanding			Options exercis	
Exercise price	**No. of shares**	**Weighted average remaining years**	**Weighted average exercise price**	**No. of shares**	**Wei ave exe pr**
$0.12	480,000	2.34		480,000	
	480,000	2.34	$ 0.12	480,000	$

As of June 30, 2017, there was no unrecognized compensation costs related to these options and the intrinsic value of the options is $0.

17. Segment information

Due to the recent acquisition of the Cranberry Cove subsidiary on February 14, 2017, the Company has two reportable operating segments;

i. Rental income from the property owned by Cranberry Cove subsidiary located at 3571 Muskoka Road, #169, Bala, on which the operations of the Canadian Rehab Clinic were located prior to disposal on February 14, 2017 and subsequently leased to the purchasers of the business of the Canadian Rehab Clinic, for a period of 5 years renewable for a further three five-year periods and with an option to acquire the property at a fixed price.

ii. Rehabilitation Services provided to customers, during the six months ended June 30, 2017, these services were provided to customers at our Seastone of Delray business acquired on February 14, 2017. The Rehabilitation services provided by our Canadian Rehab Center for the six months ended June 30, 2017 and 2016 are reported under discontinued operations and have not been reported as part of the Segment Information.

17. Segment information (continued)

The segment operating results of the reportable segments are disclosed as follows:

	Three months ended June 30, 2017		
	Rental Operations	**In-Patient services**	**Total**
Revenue	$ 78,088	$ 324,132	**$ 402,2**
Operating expenditure	106,317	316,782	**423,0**
Operating (loss) income	**(28,229)**	**7,350**	**(20,8**
Other income (expense)			
Other income	—	63,960	**63,9**
Other expense	1,146,600	(19,265)	**1,127,3**
Interest income	—	—	
Interest expense	(61,535)	(32,068)	**(93,6**
Amortization of debt discount	—	(241,666)	**(241,6**
Derivative liability movement	—	167,580	**167,5**
Foreign exchange movements	—	(6,438)	**(6,4**
Net income (loss) before taxation	1,056,836	(60,547)	**996,2**
Taxation	—	—	
Net income (loss)	**$ 1,056,036**	**$ (60,547)**	**$ 996,2**

	Six months ended June 30, 2017		
	Rental Operations	**In-Patient services**	**Total**
Revenue	$ 120,125	$ 604,605	**$ 724,7**
Operating expenditure	135,865	1,236,882	**1,372,7**
Operating loss	**(15,740)**	**(632,277)**	**(648,0**
Other (expense) income			
Other income	—	568,309	**568,3**
Other expense	(373,274)	(19,265)	**(392,5**
Interest income	—	32,074	**32,0**
Interest expense	(98,188)	(58,432)	**(156,6**
Amortization of debt discount	—	(429,325)	**(429,3**
Derivative liability movement	—	94,532	**94,5**
Foreign exchange movements	—	(164,347)	**(164,3**
Net loss before taxation	(487,202)	(608,731)	**(1,095,9**
Taxation	—	—	
Net loss	**$ (487,202)**	**$ (608,731)**	**$ (1,095,9**

17. Segment information (continued)

The operating assets and liabilities of the reportable segments are as follows:

	Rental Operations	In-Patient services	Total
Purchase of fixed assets	$ —	$ 8,878	**$ 8,8**
Assets			
Current assets	4,795	593,202	**597,9**
Non-current assets	7,604,277	7,130,340	**14,734,6**
Liabilities			
Current liabilities	(5,389,542)	(1,557,380)	**(6,946,9**
Non-current liabilities	—	(2,989,937)	**(2,989,9**
Intercompany balances	150,644	(150,644)	
Net asset position	**$ 2,370,174**	**$ 3,025,581**	**$ 5,395,7**

18. Net income (loss) per common share

For the three months ended June 30, 2017 the computation of basic and diluted earnings per share is as follows:

	Amount	Number of shares	Per share amount
Basic earnings per share			
Net income per share from continuing operations	$ 996,289	108,772,921	$ 0.
Net loss per share from discontinued operations	(141,177)	108,772,921	$ (0.
Basic income per share	855,112	108,772,921	0.
Effect of dilutive securities			
Warrants		11,135,387	
Options			
Diluted earnings per share			
Net loss per share from continuing operations	996,289	119,908,308	0.
Net income per share from discontinued operations	(141,177)	119,908,308	(0.
Diluted income per share	$ 855,112	119,908,308	$ 0.

For the three months ended June 30, 2016 the computation of basic and diluted earnings per share is as follows:

	Amount	Number of shares	Per share amount
Basic earnings per share			
Net loss per share from continuing operations	$ (197,340)	47,991,602	$
Net income per share from discontinued operations	266,260	47,991,602	$
Basic income per share	68,920	47,991,602	
Effect of dilutive securities			
Warrants	—	1,200,950	
Options	—	—	
Diluted earnings per share			
Net loss per share from continuing operations	(197,340)	49,192,552	
Net income per share from discontinued operations	266,260	49,192,552	
Diluted income per share	$ 68,920	49,192,552	$

18. Net income (loss) per common share (continued)

For the six months ended June 30, 2017 the computation of basic and diluted earnings per share is as follows:

	Amount	Number of shares	Per share amount
Basic earnings per share			
Net loss per share from continuing operations	$ (1,095,933)	93,821,728	$ (0.
Net income per share from discontinued operations	7,412,643	93,821,728	$ 0.
Basic income per share	6,316,710	93,821,728	0.
Effect of dilutive securities			
Warrants	—	11,135,387	
Options	—	—	
Diluted earnings per share			
Net loss per share from continuing operations	(1,095,933)	104,957,115	(0.
Net income per share from discontinued operations	7,412,643	104,957,115	0.
Diluted income per share	$ 6,316,710	104,957,115	$ 0.

For the six months ended June 30, 2016 the computation of basic and diluted earnings per share is as follows:

	Amount	Number of shares	Per share amount
Basic earnings per share			
Net loss per share from continuing operations	$ (231,365)	47,865,229	$
Net income per share from discontinued operations	443,779	47,865,229	$
Basic income per share	212,414	47,865,229	
Effect of dilutive securities			
Warrants	—	1,200,950	
Options	—	—	
Diluted earnings per share			
Net loss per share from continuing operations	(231,365)	49,066,179	
Net income per share from discontinued operations	443,779	49,066,179	
Diluted income per share	$ 212,414	49,066,179	$

19. Commitments and contingencies

a. Contingency related to outstanding penalties

The Company has provided for potential US penalties of $250,000 due to noncompliance with the filing of certain required returns. The actual liability may be higher due to interest and penalties assessed by these taxing authorities.

b. Other

From time to time, the Company and its subsidiaries enter into legal disputes in the ordinary course of business. The Company believes there are no material legal or administrative matters pending that are likely to have, individually or in the aggregate, a material adverse effect on its business or results of operations.

20. Income taxes

The Company is not current in its tax filings as of June 30, 2017.

21. Subsequent events

On July 19, 2017, Cranberry Cove Holdings, LTD. ("CCH"), a wholly owned subsidiary closed on a loan agreement in the principal amount of CDN$5,500,000. The loan is secured by a first mortgage on the premises owned by CCH located at 3571 Muskoka Road 169, Bala, Ontario (the "Property"). The Loan bears interest at the fixed rate of 4.2% with a 5 year primary term and a 25 year amortization. The Company has guaranteed the Loan and the Company's chief executive officer and controlling shareholder also has personally guaranteed the Loan. CCH and the Company have granted the Lender a general security interest in its assets to secure repayment of the Loan.

On August 3, 2017, the Company entered into an agreement to acquire a property at 45 West 17th Street, Riviera Beach, Florida, including the completion of the construction of a 20 bed in-patient detoxification facility and the licensing approvals to operate a detoxification facility for a total purchase consideration of $3,000,000, of which $1,000,000 of the financing is to be provided by the seller, bearing interest at 7% per annum for a 22 month period. This agreement is subject to a successful closing on or before November 17, 2017, after which date it may be cancelled by either party.

During August 2017, we repaid a total of $145,192 of the Series L convertible notes outstanding, the remaining note holders have an outstanding principal of $374,777 and has sent the Company notices of conversion at $0.03 per share.

Other than disclosed above, the Company has evaluated subsequent events through the date of the unaudited condensed consolidated financial statements were available to be issued and has concluded that no such events or transactions took place that would require disclosure herein.

This quarterly report on Form 10Q and other reports filed by Ethema Health Corporation ("we," "us," "our," or the "Company") from time to time with the SEC contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments, and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates. This discussion and analysis should be read in conjunction with the Company's financial statements and accompanying notes to the financial statements for the year ended December 31, 2016.

Plan of Operation

During the next twelve months, the Company plans to continue and expand its operations as a provider of addiction and aftercare treatment services through marketing efforts undertaken to expand its patient base in Florida. The Company plans to focus on the growth of its addiction and aftercare treatment units by seeking out potential acquisitions.

Results of Operations

For the three months ended June 30, 2017 and the three months ended June 30, 2016.

Revenue

Revenues was $402,220 and $0 for the three months ended June 30, 2017 and 2016, respectively, an increase of $402,220. The Company disposed of its Canadian Rehab Clinic on February 14, 2017 and simultaneously acquired the operations of Seastone of Delray. Revenue includes rental income of $78,088 earned by our recently acquired Cranberry Cove subsidiary. The revenues earned for patient treatments from the Canadian Rehab Clinic have been reclassified to discontinued operations. There is no meaningful comparative data to compare our revenues.

Operating Expenses

Operating expenses was $423,099 and $171,515 for the three months ended June 30, 2017 and 2016, respectively, an increase of $251,584. The operations of the Canadian Rehab Clinic been reclassified to discontinued operations as the business unit was sold effective February 14, 2017.

The operating expenses incurred during the prior three month period are minimal and consisted primarily of Investor relations fees of $50,000, management fees of $46,577 and professional fees of $53,545.

The operating expenses in the current three month period include the following:

- General and administrative expenses of $57,905, primarily operating costs incurred by our recently acquired Seastone of Delray business.
- Professional fees of $66,403, primarily legal fees related to the recent corporate restructure
- Salaries and wages of $173,451, primarily related to the Seastone acquisition
- Depreciation of $125,340, related to the assets of our recently acquired subsidiary Cranberry Cove Holdings and of the acquisition of the Seastone business on February 14, 2017.

Operating loss

Operating loss amounted to $20,879 and $171,515 for the three months ended June 30, 2017 and 2016, respectively, a decrease of $150,636, primarily due to our Seastone operations which has been profitable during the current quarter, offset by corporate operating expenses.

Other income

Other income was $63,960 and $12,508 for the three months ended June 30, 2017 and 2016, respectively, an increase of $51,452 or 411.4%. Other income in the current period represents expected additional earnout payments on the disposal of the Canadian Rehab Clinic in February 2017. Other income in the prior period, consisted of the sale of mineral rights owned by the holding company prior to its transformation to a rehabilitation enter.

Other expense

Other expense was $1,127,335 and $0 for the three months ended June 30, 2017, an increase of $1,127,335 or 100%. Other expense represents; i) an adjustment of $1,146,600 to the value of the Cranberry Cove property acquired and the corresponding reduction in the amount of the excess purchase consideration paid as additional compensation to our controlling shareholder, based on a property valuation dated June 2017; and ii) a loss of $19,265 realized on disposing of a portion of the mortgage owned by the Company in CCH, at a discount to face value.

Interest expense

Interest expense was $93,603 and $7,110 for the three months ended June 30, 2017 and 2016, respectively, an increase of $86,493, the increase is primarily due to interest due on the mortgage loans assumed by the Company when it acquired Cranberry Cove Holdings, Ltd and on the purchase money mortgage loan entered into to acquire the properties associated with Seastone of Delray.

Debt Discount

Debt discount was $241,666 and $33,262 for the three months ended June 30, 2017 and 2016, respectively, an increase of $208,404 or 100% and represents the amortization of the value of the warrants issued in terms of the convertible loan agreements entered into during December 2016 and January 2017 and the amortization of the fair value of the beneficial conversion feature of convertible notes issued to note holders during February 2017 and June 2017, the fair value of the warrants and the beneficial conversion feature are amortized over a six to nine month period, the term of the underlying convertible securities.

Derivative liability movement

Derivative liability movement was $167,580 and $0 for the three months ended June 30, 2017 and 2016, respectively, an increase of $167,580 or 100%. This movement represents the mark to market of the derivative liabilities arising on the beneficial conversion feature of the variable priced notes issued to note holders in February 2017 and June 2017. The February note was prepaid in May 2017 and an additional note was issued in June 2017. The $33,262, incurred in the prior period represents the amortization of the value of warrants and original issue discount attached to a short-term loan.

Foreign exchange movements

Foreign exchange movements were $(6,438) and $2,039 for the three months ended June 30, 2017 and 2016, respectively, represents the realized exchange losses and gains, respectively, on monetary assets and liabilities settled during each period as well as mark to market adjustments on monetary assets and liabilities reflected on the balance sheet and denominated in Canadian Dollars.

Net (loss) income from discontinued operations

The net (loss) income from discontinued operations was $(141,177) and $266,260, for the three months ended June 30, 2017 and 2016, respectively, an increase in loss of $407,437, or 153.0%. The current period loss is made up of professional fees, penalties and a foreign currency loss realized on the remaining assets in the discontinued operation. The discontinued operation has significant receivables from the Group and from the disposal of the rehab clinic, the Canadian Dollar has strengthened against the US Dollar during the current period, giving rise to the foreign currency loss.

The prior income from discontinued operations represents the trading operations of the Canadian Rehab clinic.

Net income

Net income was $855,112 and $68,920 for the three months ended June 30, 2017 and 2016, respectively, an increase of $786,192 or 1,140.7%, primarily due to the $1,146,600 adjustment of the value of the Cranberry Cove property acquired and the corresponding reduction in the amount of the excess purchase consideration paid as additional compensation to our controlling shareholder, the mark-to- market movement in the derivative liability, offset by interest expense and debt discount incurred during the current period.

For the six months ended June 30, 2017 and the six months ended June 30, 2016.

Revenue

Revenues was $724,730 and $0 for the six months ended June 30, 2017 and 2016, respectively, an increase of $724,730. The Company disposed of its Canadian Rehab Clinic on February 14, 2017 and simultaneously acquired the operations of Seastone of Delray. Revenue includes rental income of $120,125 earned by our recently acquired Cranberry Cove subsidiary. The revenues earned for patient treatments from the Canadian Rehab Clinic have been reclassified to discontinued operations. There is no meaningful comparative data to compare our revenues.

Operating Expenses

Operating expenses was $1,372,747 and $206,242 for the six months ended June 30, 2017 and 2016, respectively, an increase of $1,166,505. The operations of the Canadian Rehab Clinic been reclassified to discontinued operations as the business unit was sold effective February 14, 2017.

The operating expenses incurred during the prior six month period consisted primarily of Investor relations fees of $57,100, management fees of $46,577 and professional fees of $75,045.

The operating expenses in the current six month period include the following:

- General and administrative expenses of $408,442, primarily management fees of $199,219 charged by our CEO and operating costs incurred by our recently acquired Seastone of Delray business, which are individually insignificant to discuss separately;
- Professional fees of $399,204, primarily legal fees related to the recent corporate restructure;
- Salaries and wages of $382,695, primarily related to the Seastone acquisition
- Depreciation of $182,406 for the assets of our recently acquired subsidiary Cranberry Cove Holdings and of the acquisition of the Seastone business on February 14, 2017.

Operating loss

Operating loss amounted to $648,017 and $206,242 for the six months ended June 30, 2017 and 2016, respectively, an increase of $441,775 or 214.2%, primarily due to the additional professional fees incurred on the corporate restructure, management fees paid and depreciation expense during the current period.

Other income

Other income was $568,309 and $12,508 for the six months ended June 30, 2017 and 2016, respectively, an increase of $555,801. Other income in the current period consists of the reversal of a provision raised against a receivable on the disposal of the Endoscopy Clinic in prior years amounting to $472,368, the receivable was assigned to Leon Developments as part of the purchase consideration paid on the acquisition of Cranberry Cove and an accrual of $94,940 relating to expected proceeds on the earnout provision of the Canadian Rehab Clinic disposal.

Other expense

Other expense was $392,539 and $0 for the six months ended June 30, 2017 and 2016, respectively, an increase of $392,539 or 100%. Other expense consists of; i) $373,274 of the excess of the purchase price paid over the fair market value of the assets of Cranberry Cove Holdings Ltd. This expenditure is classified as once-off compensation expense to our CEO who owns 100% of Leon Developments, the counterparty to the purchase of the Cranberry Cove Subsidiary; and ii) $19,265 represents the loss realized on disposing of a portion of the mortgage owned by the Company in CCH, at a discount to face value.

Interest income

Interest income of $32,074 consists primarily of interest earned on the receivable from the sale of our Endoscopy Clinic in prior years. The interest due on this receivable was reversed in prior periods due to uncertainty as to the collectability of this amount. The Receivable was assigned to Leon Developments as part of the purchase consideration for Cranberry Cove Holdings Ltd.

Interest expense

Interest expense was $156,620 and $7,103 for the six months ended June 30, 2017 and 2016, respectively, an increase of $149,517, the increase is primarily due to interest due on the mortgage loans assumed by the Company when it acquired Cranberry Cove Holdings, Ltd and on the purchase money mortgage loan entered into to acquire the properties associated with Seastone of Delray.

Debt Discount
Debt discount was $429,325 and $33,262 for the six months ended June 30, 2017 and 2016, respectively, an increase of $396,063. The charge during the current period represents the amortization of the value of the warrants issued in terms of the convertible loan agreements entered into during December 2016 and January 2017 and the amortization of the fair value of the beneficial conversion feature of convertible notes issued to note holders during February 2017 and June 2017, the fair value of the warrants and the beneficial conversion feature are amortized over a six to nine month period, the term of the underlying convertible securities. The $33,262, incurred in the prior period represents the amortization of the value of warrant and original issue discount attached to a short-term loan.

Derivative liability movement
Derivative liability movement was $94,532 and $0 for the six months ended June 30, 2017 and 2016, respectively, an increase of $94,532 or 100%. This movement represents the mark to market of the derivative liabilities arising on the beneficial conversion feature of the variable priced notes issued to note holders in February 2017 and June 2017. The February note was prepaid in May 2017 and an additional note was issued in June 2017.

Foreign exchange movements
Foreign exchange movements were $(164,347) and $2,734 for the six months ended June 30, 2017 and 2016, respectively, represents the realized exchange losses and gains, respectively, on monetary assets and liabilities settled during each period as well as mark to market adjustments on monetary assets and reflected on the balance sheet and denominated in Canadian Dollars.

Net income from discontinued operations
The net income from discontinued operations was $7,412,643 and $443,779, for the six months ended June 30, 2017 and 2016, respectively, an increase of $6,968,864.

The current period income is primarily made up as follows:

- Operating loss of $172,896, the operations were disposed of on February 14, 2017, and the loss includes expenditure incurred to dispose of the operation.
- Profit on sale of the business of the Canadian Rehab Clinic of $7,494,828 represents the excess of the proceeds received over the assets disposed of as reflected in note 1 and 3 to the unaudited condensed consolidated financial statements.
- Foreign exchange gain of $91,704 which represents the realized gains on the monetary assets and liabilities settled during each period as well as mark to market adjustments on monetary assets and liabilities reflected on the balance sheet and denominated in Canadian Dollars.

The prior period income represents the operating income of the discontinued Canadian Rehab Clinic of $474,759, other income of $21,042 on insurance proceeds received for fire damage, interest expense of $76,743, primarily related to outstanding tax liabilities which have now been settled and net foreign exchange gains of $24,721.

Net income

Net income was $6,316,710 and $212,414 for the six months ended June 30, 2017 and 2016, respectively, an increase of $6,104,296, primarily due to the profit realized on the sale of the Canadian Rehab clinic of $7,494,828, offset by the compensation charge of $373,274 relating to the acquisition of Cranberry cove and the amortization of $429,325 of debt discount during the current period.

Liquidity and Capital Resources

The following table summarizes working capital as of June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016	Increase (decrease)
Current Assets	$ 597,997	$ 275,575	$ 322,422
Current Liabilities	(6,946,922)	(3,637,111)	(3,309,811)
Working capital Deficit	$ (6,348,925)	$ (3,361,536)	$ (2,987,389)

The Company realized proceeds of CDN$8,500,000 (US$6,479,400) from the disposal of its Canadian Rehab Clinic in February 2017. These proceeds were used to settle outstanding tax liabilities of CDN$3,429,105 (US$2,621,208) and to purchase the property and assets associated with the Seastone of Delray operations on February 14, 2017 amounting to US$2,960,000, the remaining funds were used for working capital purposes and to fund the restructuring transactions.

The Company borrowed an additional $294,500 in terms of convertible short-term notes during the period January to June 2017, of which $130,000 was paid during the current period. A further $111,554 was realized on the sale of portion of the mortgage owned by the Holding Company on the Cranberry Cove properties. The proceeds realized were used to repay $85,613 of the mortgage liability and the balance for general working capital purposes. Subsequent to June 30, 2017, the Company raised an additional CDN$5,500,000 mortgage to repay the current Cranberry Cover mortgages and to fund working capital and reduce other debt. We estimate that the Company will require an additional $1,000,000 for working capital purposes. The company may be required to raise additional equity or secure debt. There is no assurance that the Company will be successful with future financing ventures, and the inability to secure such financing may have a material adverse effect on the Company's financial condition. In the opinion of management, the Company's liquidity risk is assessed as high and remains unchanged from the prior year.

PART II

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

Not applicable because we are a smaller reporting company.

Item 2. Unregistered sales of equity securities and use of proceeds

In the securities transactions described below, shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(a)(2) promulgated thereunder due to the fact that the issuance did not involve a public offering because of the insubstantial number of persons involved in each offering, the size of the offering, manner of the offering and number of shares offered. Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(a) (2) of the Securities Act for these transactions.

The Company issued 1,200,000 returnable shares to a note holder as a commitment fee should the note not be repaid prior to maturity. These shares are not recorded as issued until such time as the commitment fee is probable or likely to occur. The note was repaid on May 26, 2017 and the shares were returned to the Company.

On February 14, 2017, the Company issued 60,000,000 shares to Leon Developments as purchase consideration for the acquisition of its wholly owned subsidiary Cranberry Cove Holdings Ltd.

On May 30, 2017, the Company issued 100,000 common shares to a vendor for services rendered.

Item 3. Defaults upon senior securities

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002 *
32.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 *

101.INS XBRL Instance *

101.SCH XBRL Taxonomy Extension Schema *

101.CAL XBRL Taxonomy Extension Calculation *

101.DEF Taxonomy Extension Definition *

101.LAB Taxonomy Extension Labels *

101.PRE Taxonomy Extension Presentation *

* filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ETHEMA HEALTH CORPORATION

Date: August 21, 2017
By:/s/ Shawn E. Leon Name: Shawn E. Leon
Title: Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
/s/Shawn E. Leon Shawn Leon	Chief Executive Officer (Principal Executive Officer), Chief Financial Officer (Principal Financial Officer), President and Director	August 21, 2017
/s/ John O'Bireck John O'Bireck	Director	August 21, 2017
/s/ Gerald T. Miller Gerald T. Miller	Director	August 21, 2017