Empower Clinics Inc.

(Formerly Adira Energy Ltd.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the three and nine months ended
September 30, 2020 and 2019**

(Expressed in United States dollars – Unaudited)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019.

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

The accompanying unaudited condensed interim consolidated financial statements of Empower Clinics Inc. ("the Company" or "Empower") for the interim period ended September 30, 2020 and 2019, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of these condensed interim consolidated financial statements.

November 24, 2020

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in United States dollars) - Unaudited

	Note	**September 30, 2020**	December 31, 2019
		$	$
ASSETS			
Current			
Cash		**112,539**	179,153
Accounts receivable		**65,191**	24,482
Prepaid expenses		**22,029**	38,382
Inventory		**62,666**	21,848
Promissory note	5	**128,198**	-
Total current assets		**390,623**	263,865
Promissory note	5	**-**	122,573
Property and equipment	6	**596,667**	797,423
Intangible assets	7	**342,396**	254,640
Goodwill	7	**117,218**	117,218
Total assets		**1,446,904**	1,555,719
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8,20	**1,915,514**	1,874,990
Current portion of notes payable	9	**891,874**	969,891
Convertible debentures payable	12	**-**	427,320
Convertible notes payable	10	**190,460**	192,717
Secured loan payable	11	**796,714**	761,711
Current portion of lease liability	13	**173,733**	219,800
Current portion of warrant liability		**186,144**	-
Conversion feature	12	**-**	2,795
Total current liabilities		**4,154,439**	4,449,224
Loan payable	14	**29,987**	-
Lease liability	13	**405,481**	515,096
Deferred revenue		**25,000**	-
Warrant liability	15	**14,452**	106,312
Total liabilities		**4,629,359**	5,070,632
EQUITY			
Issued capital	16(a)	**9,528,015**	7,827,310
Shares to be issued	16(a)	**-**	22,050
Contributed surplus		**1,613,233**	1,501,361
Warrant reserve		**68,932**	146,685
Deficit		**(14,392,635)**	(13,012,319)
Total shareholders' deficiency		**(3,182,455)**	(3,514,913)
Total liabilities and shareholders' deficiency		**1,446,904**	1,555,719

Nature of operations and going concern (note 1)
Events after the reporting period (note 22)

Approved and authorized by the Board of Directors on November 24, 2020:

"Steven McAuley" Director   *""Dustin Klein"* Director

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

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in United States dollars, except number of shares outstanding) - Unaudited

	Note	Three months ended September 30, **2020**	Three months ended September 30, 2019	Nine months ended September 30, **2020**	Nine months ended September 30, 2019
		$	**$**	**$**	$
Revenues					
Clinic services	20	**629,854**	663,003	**2,306,111**	1,409,143
Product revenues		**12,890**	-	**49,644**	-
Total revenues		**642,744**	663,003	**2,355,755**	1,409,143
Direct clinic expenses					
Medical personnel costs		**221,016**	30,643	**662,950**	114,481
Travel clinic costs		**23,756**	24,754	**73,720**	63,079
Cost of goods sold		**1,545**	-	**21,952**	-
Total direct clinic expenses		**246,317**	55,397	**758,622**	177,560
Earnings from clinic operations		**396,427**	607,606	**1,597,133**	1,231,583
Operating expenses	17,20	**1,031,570**	1,042,785	**2,377,928**	2,343,660
Legal and professional fees	4	**127,774**	321,835	**349,970**	755,514
Depreciation and amortization expense	6,7	**79,702**	79,495	**240,446**	197,906
Share-based payments	16(c),20	**1,738**	7,388	**31,592**	479,508
Loss from operations		**(844,357)**	(843,897)	**(1,402,803)**	(2,545,005)
Other expenses (income)					
Accretion expense	9,12	**15,828**	91,432	**360,924**	207,031
Interest income	5	**(1,920)**	(1,905)	**(5,625)**	(4,771)
Interest expense	9-13	**37,292**	53,430	**138,948**	129,089
Loss on disposal of property, plant and equipment	6	**-**	-	**-**	114,516
Gain on debt settlement of accounts payable	8,16(c)	**(25,978)**	-	**(49,277)**	-
Gain on change in fair value of warrant liability	15	**(435,607)**	(512,415)	**(475,539)**	(673,289)
Gain on change in fair value of conversion feature	12	**-**	(126,542)	**(2,795)**	(190,968)
Restructuring		**-**	169,606	**-**	169,606
Other expense (income), net		**26,063**	(12,971)	**10,877**	61,089
		(384,322)	(339,365)	**(22,487)**	(187,697)
Net loss and comprehensive loss for the period		**(460,035)**	(504,532)	**(1,380,316)**	(2,359,579)
Loss per share					
Basic		**(0.00)**	(0.00)	**(0.01)**	(0.02)
Diluted		**(0.00)**	(0.00)	**(0.01)**	(0.02)
Weighted average number of shares outstanding					
Basic		**188,681,499**	135,255,379	**167,469,011**	110,411,923
Diluted		**188,681,499**	135,255,379	**167,469,011**	110,411,923

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

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in United States dollars) - Unaudited

	Note	Nine months ended September 30, 2020	2019
		$	$
Operating activities			
Net loss and comprehensive loss for the period		**(1,380,316)**	(2,359,579)
Items not involving cash:			
Depreciation and amortization expense	6,7	**240,446**	197,906
Share-based payments	16(c),20	**31,592**	479,508
Accretion expense	9,12	**360,924**	207,031
Interest expense	9-13	**138,948**	129,089
Loss on disposal of property, plant and equipment	6	**-**	114,516
Gain on change in fair value of warrant liability	15	**(475,539)**	(673,289)
Gain on change in fair value of conversion feature	12	**(2,795)**	(190,968)
Warrants issued for services		**-**	208,846
Common shares issued for services	16(a),20	**180,458**	134,635
Share-based compensation	16(a),20	**143,811**	287,784
Gain on debt settlement of accounts payable	12,16(a)	**(49,277)**	-
Unrealized foreign exchange (gain) loss		**(293,655)**	(18,357)
		(1,105,403)	(1,482,878)
Changes in working capital:			
Accounts receivable		**(40,709)**	(66,934)
Prepaid expenses		**259,453**	(22,439)
Inventory		**(40,818)**	-
Accounts payable and accrued liabilities		**370,983**	(247,419)
Deferred revenue		**25,000**	-
Net cash used in operating activities		**(531,494)**	(1,819,670)
Investing activities			
Acquisition of property and equipment		**-**	(3,828)
Investment in Sun Valley		**-**	(625,808)
Acquisition of intangible assets	7	**(127,446)**	-
Net cash used in investing activities		**(127,446)**	(629,636)
Financing activities			
Proceeds from issue of shares	16(a)	**751,579**	1,825,214
Advance of loan payable	14	**29,987**	-
Advance of convertible debentures payable		**-**	717,851
Advance of notes payable		**-**	33,842
Share issue costs	16(a)	**(3,998)**	(70,097)
Cash acquired in acquisition of Sun Valley		**-**	94,090
Proceeds on sale of assets held for sale		**-**	5,472
Lease payments	13	**(185,242)**	(136,156)
Net cash provided by financing activities		**592,326**	2,470,216
Increase in cash		**(66,614)**	20,910
Cash, beginning of period		**179,153**	157,668
Cash, end of period		**112,539**	178,578

Supplemental disclosure with respect to cash flows (note 18)

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

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in United States dollars, except number of shares outstanding) - Unaudited

	Note	Shares	Issued capital	Shares to be issued	Warrant reserve	Contributed surplus	Deficit	Total
		#	$	$	$	$	$	$
Balance, December 31, 2018		**77,847,598**	**5,401,024**	**-**	**80,280**	**892,417**	**(9,369,941)**	**(2,996,220)**
Adjustment on application of IFRS 16		-	-	-	-	-	(4,997)	(4,997)
Adjusted balance, January 1, 2019		**77,847,598**	**5,401,024**	**-**	**80,280**	**892,417**	**(9,374,938)**	**(3,001,217)**
Shares issued for Sun Valley acquisition	4,11	22,409,425	3,047,682	-	-	-	-	3,047,682
Shares issued for cash	11	24,452,500	1,016,779	-	-	-	-	1,016,779
Shares issued for conversion of notes payable	7,11	2,500,000	118,330	-	-	-	-	118,330
Shares issued for conversion of convertible debentures	11	3,991,524	161,382	-	-	-	-	161,382
Shares issued for compensation	11,16	7,400,000	772,731	-	-	-	-	772,731
Shares held in escrow	11	-	(2,501,241)	-	-	2,000,000	-	(501,241)
Shares issued for services	11	3,186,861	480,323	-	-	-	-	480,323
Shares cancelled	11	(4,657,553)	(954,277)	-	-	-	954,277	-
Shares issued for exercise of warrants	10,11	431,075	80,033	-	-	-	-	80,033
Shares issued as finders fee	11	136,000	10,127	-	-	-	-	10,127
Share issue costs	11	-	(92,033)	-	21,936	-	-	(70,097)
Share-based payments	11,16	-	-	-	-	479,508	-	479,508
Purchase of Sun Valley non-controlling interest	4	-	-	-	-	-	(21,048)	(21,048)
Net loss and comprehensive loss for the period		-	-	-	-	-	(2,359,579)	(2,359,579)
Balance, September 30, 2019		**133,944,045**	**7,580,337**	**-**	**102,216**	**3,371,925**	**(10,801,288)**	**213,713**

	Note	Shares	Issued capital	Shares to be issued	Warrant reserve	Contributed surplus	Deficit	Total
		#	$	$	$	$	$	$
Balance, December 31, 2019		**137,697,430**	**7,827,310**	**22,050**	**146,685**	**1,501,361**	**(13,012,319)**	**(3,514,913)**
Shares issued to former CEO	16	651,875	15,239	(15,239)	-	-	-	-
Shares issued for cash	16	30,742,334	490,468	-	-	-	-	490,468
Shares issued to settle accounts payable	12,16	5,841,586	196,974	-	-	-	-	196,974
Vesting of escrow shares	16,20	-	143,811	-	-	-	-	143,811
Shares issued for services	16	9,500,000	270,292	-	-	-	-	270,292
Shares issued for conversion of debentures	8,16	11,659,984	583,635	-	-	-	-	583,635
Obligation to issue shares	16	150,000	6,811	(6,811)	-	-	-	-
Share issue costs	16	-	(6,525)	-	2,527	-	-	(3,998)
Reclassification of expired warrants		-	-	-	(80,280)	80,280	-	-
Share based payments	16	-	-	-	-	31,592	-	31,592
Net loss and comprehensive loss for the period		-	-	-	-	-	(1,380,316)	(1,380,316)
Balance, September 30, 2020		**196,243,209**	**9,528,015**	**-**	**68,932**	**1,613,233**	**(14,392,635)**	**(3,182,455)**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Empower Clinics Inc. ("Empower" or the "Company") was incorporated under the laws of the Province of British Columbia on April 28, 2015. The Company is a leading owner and operator of medical cannabis clinics and developer of medical products in the US, focused on enabling individuals to improve and protect their health.

This business is conducted through Empower's wholly-owned Nevada, USA subsidiary, Empower Healthcare Corp. and on April 16, 2019, the Company incorporated a wholly-owned Delaware corporation, Empower Healthcare Assets Inc. ("EHA"). Through a series of transactions on April 30, 2019, EHA acquired all the outstanding membership interest of Sun Valley Certification Clinics Holdings, LLC and its subsidiaries Sun Valley Alternative Health Centers, LLC, Sun Valley Alternative Health Centers West, LLC, Sun Valley Alternative Health Centers NV, LLC, Sun Valley Alternative Health Centers Tucson, LLC, Sun Valley Alternative Health Centers Mesa, LLC, and Sun Valley Certification Clinics Franchising, LLC (collectively "Sun Valley") (note 4).

The registered office of the Company is located at Suite 918 - 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6C 1G8. The Company's U.S. headquarters are at 105 SE 18th Avenue, Portland, Oregon.

Reverse takeover

On April 23, 2018, the Company completed its previously disclosed reverse takeover transaction ("RTO") of Adira Energy Ltd. ("Adira"). Following the RTO, on April 30, 2018 the Company listed on the Canadian Securities Exchange (the "CSE") under ticker symbol "EPW" then subsequently changed its ticker symbol on April 10, 2019 to "CBDT", on the OTC, part of the OTC Markets Group, under the ticker "EPWCF" and on the Frankfurt Stock Exchange under the ticker "8EC". On closing of the RTO, the Company's name was changed from Adira Energy Ltd to Empower Clinics Inc.

Share consolidation

On April 19, 2018, in anticipation of the completion of the RTO, Adira filed articles of amendment to complete an approved share consolidation of Adira's issued and outstanding common shares on the basis of 6.726254 pre-consolidated common shares for one post-consolidated common share. The share consolidation affects all issued and outstanding common shares, options and warrants. All information relating to basic and diluted earnings per share, issued and outstanding common shares (note 16(a)), share options (note 16(b)) and warrants (note 16(c)), and per share amounts in these condensed interim consolidated financial statements have been adjusted retrospectively to reflect the share consolidation.

Going concern

At September 30, 2020, the Company had a working capital deficiency of $3,818,968 (December 31, 2019 - $4,185,359), has not yet achieved profitable operations, and has accumulated deficit of $14,392,635 (December 31, 2019 - $13,012,319). The ability of the Company to ensure continuing operations is dependent on the Company's ability to raise sufficient funds to finance development activities and expand sales.

Further, the Arizona Marijuana Legalization Initiative appeared on the ballot in Arizona as an initiated state statute on November 3, 2020 and was approved. The ballot initiative legalizes the possession and use of recreational marijuana for adults (age 21 years or older). The ballot initiative allows people to grow no more than six marijuana plants for personal use in their residence, as long as the plants are within an enclosed area with a lock and beyond public view. The legalization in Arizona could have a material adverse affect on the Company's operations within the state. Management of the Company cannot be certain as to the impact that legalization of recreational adult use would have on their clinic operations; however, it is expected that it reasonably possible that it would result in a decline in patient visits and thus patient revenue, as was experienced in Oregon.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim consolidated financial statements ("financial statements") have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities. See note 22 for events after the reporting period.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on November 24, 2020.

These financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. As such, these financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 ("annual financial statements").

The Company has reclassified certain items on the comparative consolidated statements of loss and comprehensive loss and consolidated statements of cash flows to improve clarity.

b) Basis of presentation

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below.

c) Functional and presentation currency

These financial statements are presented in United States ("US") dollars, except as otherwise noted, which is the functional currency of the Company and each of the Company's subsidiaries. References to C$ are to Canadian dollars.

d) Basis of consolidation

On April 16, 2018, the Company completed a reverse takeover transaction with Adira Energy Ltd. The transaction was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction. As a result of these reorganizations described above, the accompanying financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

(in United States dollars, except where noted) - Unaudited

2. BASIS OF PREPARATION (continued)

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
S.M.A.A.R.T. Holdings Inc.	USA	100%	USD	Holding company
Empower Healthcare Corp.	Canada	100%	USD	Holding company
Empower Healthcare Corp.	USA	100%	USD	Clinic operations
SMAART, Inc.	USA	100%	USD	Holding company
The Hemp and Cannabis Co. (1)	USA	100%	USD	Holding company
THCF Access Point (1)	USA	100%	USD	Holding company
Empower Healthcare Assets Inc. (2)	USA	100%	USD	Holding company
Sun Valley Heath Holdings, LLC (3)	USA	100%	USD	Holding company
Sun Valley Health Franchising, LLC 3)	USA	100%	USD	Clinic operations
Sun Valley Health, LLC (3)	USA	100%	USD	Clinic operations
Sun Valley Health West, LLC (3)	USA	100%	USD	Clinic operations
Sun Valley Health Tucson, LLC (3)	USA	100%	USD	Clinic operations
Sun Valley Health Mesa, LLC (3)	USA	100%	USD	Clinic operations
Sun Valley Alternative Health Centres NV, LLC (3)	USA	100%	USD	Clinic operations
Empower Healthcare Facility Assets Inc. (4)	USA	100%	USD	Holding company
Empower Heritage Sandy Assets Corp. (4)	USA	100%	USD	Holding company
Dosed Wellness Ltd. (1)(5)	Canada	100%	USD	Holding company

(1) These companies were inactive during the period ended September 30, 2020.
(2) This Company was incorporated on April 27, 2019.
(3) These companies were acquired as part of the Sun Valley acquisition on April 30, 2019 (note 5).
(4) These companies were incorporated on March 4, 2020.
(5) This Company was incorporated on May 15, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in note 3 to the annual consolidated financial statements with exception of the following:

i. Amendments to IAS 1 – Presentation of financial statements ("IAS 1") and IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8").

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users have been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Company adopted the amendments to IAS 1 effective January 1, 2020, which did not have a material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Franchise revenues

Franchise revenues consist primarily of royalties and initial franchise fees. Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials.

Royalties are calculated as a percentage of franchise clinic revenues over the term of the franchise agreement. The Company recognizes royalty revenue from the rendering of patient services in the accounting period in which the physician's services are rendered.

Initial franchise fees are payable by the franchisee upon execution of a franchise agreement. Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. The term of the agreement commences upon opening of the clinic location.

Significant estimates and assumptions

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of its interim financial statements. In addition, the preparation of the financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain.

Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company's interim results are not necessarily indicative of its results for a full year. The significant judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 of the annual financial statements.

4. ACQUISITION OF SUN VALLEY

On April 30, 2019, the Company obtained control of Sun Valley for consideration with a fair value of $3,054,593 comprised of cash of $787,318, 22,409,425 common shares of the Company, and a promissory note of $125,000 bearing interest at a rate of 4% per annum and due July 31, 2019. The promissory note was fair valued at $123,709 using a discount rate of 6%. In addition, the Company paid a consultant finders fee equal to 5% of the aggregate purchase price which amounted to $188,750 (C$258,019). The finders fee is recorded within legal and professional fees on the consolidation statements of loss and comprehensive loss.

The transaction has been accounted for by the Company as a business combination under IFRS 3 - Business Combinations.

Initial cash payment of $637,318 was made on the Closing Date with remaining $150,000 held back as security for working capital adjustments recorded by Sun Valley. Accounts payable and accrued liabilities include the $150,000 holdback, of which $75,000 is expected to be released on the six-month anniversary of the Closing Date with the remaining $75,000 to be released on the one-year anniversary of the Closing Date. On January 23, 2020, the Company issued 2,000,000 common shares as settlement of the holdback in the amount of $100,000.

(in United States dollars, except where noted) - Unaudited

4. ACQUISITION OF SUN VALLEY (continued)

Common shares of the Company were issued on the Closing Date with 7,703,543 common shares valued at the closing price on April 30, 2019 of $0.13 (C$0.175) for fair value of $1,001,458 and 14,705,882 common shares being held in escrow ("Escrow Shares") with a fair value of $1,142,108. Fair value of the Escrow Shares was determined by discounting the fair value of the Escrow Shares using the closing share price on April 30, 2019 of $0.13 (C$0.175), volatility of 150% and escrow period of 3 to 36 months. The Escrow Shares will vest in quarterly instalments over 36 months from the Closing Date.

The following table summarizes the final purchase price allocation:

Assets Acquired	
	$
Cash and cash equivalents	94,090
Accounts receivable	366
Security deposits	19,753
Property and equipment	124,811
Right-of-use assets	431,544
Patient list	171,243
Brands	184,996
	1,026,803
Liabilities Assumed	
Accounts payable and accrued liabilities	35,281
Lease liabilities	431,544
Net assets at fair value, as at April 30, 2019	**559,978**
Consideration	
Fair value of 7,703,543 common shares issued	1,001,458
Fair value of 14,705,882 Escrow Shares issued	1,142,108
Cash	787,318
Promissory note	123,709
Total Consideration	**3,054,593**
Goodwill	**2,494,615**

During the year ended December 31, 2019, the business combination resulted in revenues of $1,526,383 and net loss and comprehensive loss of $503,235. Had the business combination been affected at January 1, 2019, revenue of the Company would have been $999,968 higher and the net loss and comprehensive loss of the Company would have decreased by $153,633 for the year ended December 31, 2019.

5. PROMISSORY NOTE

On January 11, 2019, the Company acquired a promissory note in the amount of $122,500. Interest revenue for the three and nine months ended September 30, 2020 was $1,920 and $5,625, respectively (2019 - $1,905 and $4,771, respectively). The promissory note accrues interest at a rate of 6% per annum and is due in full on February 1, 2021.

The maximum credit exposure related to the promissory note is $122,500. The land is being developed by the purchaser into a duplex which will be sold upon completion. The promissory note is secured by the land and building sold. Despite the negative impacts of COVID-19 on the global economy, the Oregon Real Estate Board sales figures show an eleven percent annual median sale price increase in September 2020 as compared to September 2019. Company has not provided for credit losses with respect to the promissory note as full recovery is anticipated and in the event of default, the value of the collateral has increased since the time of sale and therefore is anticipated to be sufficient to recover the principal and interest balances.

(in United States dollars, except where noted) - Unaudited

6. PROPERTY AND EQUIPMENT

A continuity of property and equipment for the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

	Right of use Empower clinics	Right of use Sun Valley clinics	Right of use CBD extraction facility	Furniture and equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, December 31, 2018	-	-	-	28,360	118,465	146,825
Adoption of IFRS 16	324,972	-	-	-	-	324,972
Acquisition of Sun Valley	-	431,544	-	32,952	91,859	556,355
Additions	23,006	-	402,533	3,828	-	429,367
Impairment	(79,125)	-	-	(2,610)	(114,517)	(196,252)
Write off	(245,847)	-	-	(25,750)	(3,949)	(275,546)
Balance, December 31, 2019 and September 30, 2020	**23,006**	**431,544**	**402,533**	**36,780**	**91,858**	**985,721**
Accumulated amortization						
Balance, December 31, 2018	-	-	-	(19,765)	-	(19,765)
Adoption of IFRS 16	(196,479)	-	-	-	-	(196,479)
Amortization	(57,991)	(107,265)	(31,307)	(13,164)	(37,873)	(247,600)
Write off	245,847	-	-	25,750	3,949	275,546
Balance, December 31, 2019	(8,623)	(107,265)	(31,307)	(7,179)	(33,924)	(188,298)
Amortization	(8,631)	(120,681)	(40,257)	(8,589)	(22,598)	(200,756)
Balance, September 30, 2020	**(17,254)**	**(227,946)**	**(71,564)**	**(15,768)**	**(56,522)**	**(389,054)**
Carrying amount						
Balance, December 31, 2019	14,383	324,279	371,226	29,601	57,934	797,423
Balance, September 30, 2020	**5,752**	**203,598**	**330,969**	**21,012**	**35,336**	**596,667**

On May 9, 2019, the Company terminated the lease for the Chicago clinic. As a result of the lease termination, the Company derecognized the right-of-use asset with a cost of $255,859 and accumulated amortization of $184,787 and recorded an impairment loss $71,072 representing the undepreciated portion of the right-of-use asset above the lease liability which is included as impairment loss on write off of property and equipment on the consolidated statements of loss and comprehensive loss.

The Company also derecognized the associated lease liability of $76,626 and recorded a gain of $5,549 representing the excess of the right-of-use asset above the lease liability which is included as impairment loss on write off of property and equipment on the consolidated statements of loss and comprehensive loss. In addition, the Company recognized an impairment loss of $114,516 representing the carrying value of leasehold improvements written-off for the Chicago clinic on termination of the lease. This is included as impairment loss on write off of property and equipment on the consolidated statements of loss and comprehensive loss.

(in United States dollars, except where noted) - Unaudited

6. PROPERTY AND EQUIPMENT (continued)

The Company defaulted on the Spokane lease and as a result, lost access to the facility. As a result of this default, the Company derecognized the right-of-use asset with a cost of $69,113 and accumulated amortization of $61,060 and recorded a loss of $8,053 representing the carrying value of the right-of-use asset which is included as impairment loss on write off of property and equipment on the consolidated statements of loss and comprehensive loss. The lease liability of $9,700 has not been derecognized as the Company negotiates a settlement with the landlord of the facility. In addition, the Company recognized a loss on disposal of $2,610 representing the carrying value of the furniture and equipment.

Below are the details of leases terminated during the year ended December 31, 2019 (no leases were terminated during the nine months ended September 30, 2020) and related assets written off and impairment losses recognized on undepreciated amounts:

	As at December 31, 2019		
	Chicago lease	Spokane lease	Total
	$	$	$
Cost	255,859	69,113	324,972
Less: Accumulated depreciation	(184,787)	(61,060)	(245,847)
Impairment	**71,072**	**8,053**	**79,125**

7. INTANGIBLE ASSETS AND GOODWILL

A continuity of intangible assets for the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

	Patient records	Brands, trademarks and domain names	Management software	Total
	$	$	$	$
Cost				
Balance, December 31, 2018	292,093	98,700	51,100	441,893
Additions	171,243	184,996	-	356,239
Impairment	(73,756)	(20,001)	-	(93,757)
Balance, December 31, 2019	389,580	263,695	51,100	704,375
Additions	-	-	127,446	127,446
Balance, September 30, 2020	**389,580**	**263,695**	**178,546**	**831,821**
Accumulated amortization				
Balance, December 31, 2018	(220,476)	(98,700)	(51,100)	(370,276)
Amortization	(79,459)	-	-	(79,459)
Balance, December 31, 2019	(299,935)	(98,700)	(51,100)	(449,735)
Amortization	(39,690)	-	-	(39,690)
Balance, September 30, 2020	**(339,625)**	**(98,700)**	**(51,100)**	**(489,425)**
Carrying amount				
Balance, December 31, 2019	89,645	164,995	-	254,640
Balance, September 30, 2020	**49,955**	**164,995**	**127,446**	**342,396**

During the nine months ended September 30, 2020, the Company recognized an impairment loss of $nil (year ended December 31, 2019 - $93,757) in relation to patient records and brand.

(in United States dollars, except where noted) - Unaudited

7. INTANGIBLE ASSETS AND GOODWILL (continued)

A continuity of goodwill is as follows:

	Total
	$
Balance, December 31, 2018	-
Additions	2,494,615
Impairment	(2,377,397)
Balance, December 31, 2019 and September 30, 2020	**117,218**

At December 31, 2019, the estimated recoverable amount of the Sun Valley CGU was lower than the segment's carrying value. The Company recognized a goodwill impairment loss totalling $2,377,397 and an intangible asset impairment loss totalling $93,757 related to patient records and brands. The impairment loss on the Sun Valley CGU goodwill and intangible assets related to a change in expected future cash flows as a result of changes in the Arizona licensing regulations on June 7, 2019 which now requires certification on a two-year period whereas it was on a one-year basis prior to the change in regulation. The change in licensing regulations is expected to result in increased attrition and lower patient totals in Arizona as compared to that considered at the acquisition date which resulted in an impairment test being conducted on June 7, 2019. Further, management also considered the impact of potential legalization of recreational cannabis as an indicator of impairment.

The impairment was determined based on value in use calculation which uses cash flow projection covering a five-year period and a discount rate of 22% per annum. The cash flow beyond five-year period has been extrapolated using terminal growth rate of 1.5% per annum. Key assumptions used in the cash flow projection both as of acquisition date and as at June 7, 2019, the impairment trigger date, related to attrition of 59%. The new patient attraction rate was estimated to be 68% as of acquisition date and 24% post legalization

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
	$	$
Trade payables and accrued liabilities	**1,377,777**	1,367,253
Payroll liabilities	**537,737**	507,737
	1,915,514	1,874,990

On January 23, 2020, the Company issued 4,800,000 common shares as settlement for accounts payable in the amount of $182,607 (C$240,000). The Company recorded a gain on debt settlement of $18,261 representing the excess of the carrying value of the accounts payable above the fair value of common shares issued (note 16(a)(i)).

On May 7, 2020, the Company issued 347,142 common shares as settlement for accounts payable in the amount of $23,189 (C$32,500). The Company recorded a gain on debt settlement of $4,538 representing the excess of the carrying value of the accounts payable above the fair value of common shares issued (note 16(a)(vii)).

On May 20, 2020, the Company issued 694,444 common shares as settlement for accounts payable in the amount of $17,996 (C$25,000). The Company recorded a gain on debt settlement of $500 representing the excess of the carrying value of the accounts payable above the fair value of common shares issued (note 16(a)(x)).

On September 23, 2020, the Company issued 3,000,000 common shares as settlement for accounts payable in the amount of $112,292 (C$150,000). The Company recorded a gain on debt settlement of $22,458 representing the excess of the carrying value of the accounts payable above the fair value of common shares issued (note 16(a)(xiii)).

(in United States dollars, except where noted) - Unaudited

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

On July 30, 2019, the Company issued 1,686,861 common shares as settled for accounts payable in the amount of $223,283 (C$294,019). The Company recorded a gain on debt settlement of $15,130 representing the excess of the carrying value of the accounts payable above the fair value of common shares issued (note 16(a)(xxvii) and note 16(a)(xxix)).

9. NOTES PAYABLES

	September 30, 2020	December 31, 2019
	$	$
Balance, beginning of period	**969,891**	760,715
Issue of notes payable (c)(d)(e)	**-**	321,935
Converted to shares (c)(d)(e)	**(148,745)**	(186,942)
Realized foreign exchange gain	**-**	(2,267)
Unrealized foreign exchange gain	**(27,451)**	(10,916)
Accretion expense (e)	**42,298**	12,337
Interest expense	**55,881**	75,029
Balance, end of period	**891,874**	969,891
Less: non-current portion	**-**	-
Current portion	**891,874**	969,891

a) On September 15, 2017, the Company issued promissory notes payable that could be drawn down for up to $150,000 and $75,000 maturing on December 31, 2017. During the period ended December 31, 2017, $232,985 and $117,000 had been drawn respectively. Upon maturity, the promissory note payable will be repayable on demand and will bear interest at 6% per annum. On October 23, 2018, the Company converted $117,000 of the debt plus $7,389 of interest into shares.

b) On February 5, 2018 and March 12, 2018, the Company issued promissory notes payable in the amounts of $55,000 and $150,000 respectively. The promissory note payable is repayable on demand and bears interest at 6% per annum.

c) On January 21, 2019, the Company issued a promissory note payable in the amount of $33,842 (C$45,000). This promissory note payable is due December 31, 2020 and bears interest at 6% per annum. On April 2, 2019, the Company converted the promissory note plus $667 (C$892) of interest into 450,000 units of the Company consisting of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price equal to $0.14 (C$0.19) (note 16(a)(xviii)).

d) On April 30, 2019, the Company issued a promissory note payable in the amount of $125,000. The promissory note is due July 31, 2019 and bears interest at a rate of 4% per annum (note 4). The Company was in default and extended the maturity date to August 31, 2020. The default resulted in a penalty of $15,000 if the loan was not repaid in full by July 31, 2019 and an additional $15,000 in the loan was not paid in full by August 31, 2019. During the three and nine months ended September 30, 2020, the Company recorded interest expense of $950 and $2,887, respectively (three months and nine months ended September 30, 2019 - $1,260 and $1,685, respectively) with respect to the promissory note payable. On September 22, 2020, the Company converted the promissory note plus $667 (C$892) of interest into 2,500,000 common shares of the Company (note 16(a)(xii)).

(in United States dollars, except where noted) - Unaudited

9. NOTES PAYABLES (continued)

e) On October 1, 2019, the Company issued a promissory note payable in the amount of $188,765 (C$250,000). This promissory note payable is due April 1, 2020 and bears interest at 10% per annum. Pursuant to the issuance of the note payable the Company incurred transaction costs including an administrative charge of $18,876 (C$25,000) and an obligation to issue 150,000 common shares of the Company with a fair value of $6,811. The note payable has been recognized at amortized cost of $163,093 (C$216,000). During the three and nine months ended September 30, 2020, the Company recorded interest expense of $4,881 and $13,960, respectively (three and nine months ended September 30, 2019 - $nil and $nil, respectively) and accretion expense of $15,828 and $42,298, respectively (three and nine months ended September 30, 2019 - $nil and $nil, respectively) with respect to the promissory note payable.

On May 20, 2020, the Company issued a total of 844,444 common shares of which 694,444 were to settle the administrative charge of $18,876 (C$25,000) and the remaining 150,000 common shares were to settle the obligation to issues shares of the Company (note 16(a)(ix)) and note 16(a)(x)). As of the date of these financial statements, the note has not been repaid and the Company is in default.

10. CONVERTIBLE NOTES PAYABLE

	September 30, 2020	December 31, 2019
	$	$
Balance, beginning of period	**192,717**	-
Issue of notes payable	**-**	188,893
Unrealized foreign exchange (gain) loss	**(5,049)**	3,596
Interest expense	**2,792**	228
Balance, end of period	**190,460**	192,717
Less: non-current portion	**-**	-
Current portion	**190,460**	192,717

On December 9, 2019, the Company issued a convertible promissory note payable in the amount of $188,893 (C$250,000). The convertible promissory note payable is due December 9, 2021 and bears interest at 2% per annum. The convertible promissory note is convertible at a share price equal to the closing share price on the date prior to conversion for total shares equal to the face value of the note divided by the closing share price. As the settlement is fixed at the face value of the obligation the Company has determined that the conversion option has $nil value.

11. SECURED LOAN PAYABLE

On June 12, 2015, the Company, through its wholly owned subsidiary EHC, acquired all of the assets of Presto in consideration for the assumption by the Company of Presto's liability to Bayview Equities Ltd (the "Secured Party") in the amount of $550,000 plus accrued interest of $35,893. The liability is secured by a grant to the Secured Party of a security interest in all the assets of EHC. The liability bears interest at 6% per annum and is due upon demand.

	September 30, 2020	December 31, 2019
	$	$
Balance, beginning of period	**761,711**	717,460
Interest	**35,003**	44,251
Balance, end of period	**796,714**	761,711

(in United States dollars, except where noted) - Unaudited

12. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

	September 30, 2020	December 31, 2019
	$	$
Balance, beginning of period	**427,320**	274,466
Proceeds from Issuance of convertible debentures (a)(b)(c)	**-**	753,491
Amount allocated to conversion option (a)(b)(c)	**-**	(753,491)
Amount converted to units(a)(b)(c)	**(734,028)**	-
Unrealized foreign exchange (gain) loss	**(27,630)**	5,564
Interest expense	**15,712**	45,112
Accretion expense	**318,626**	102,178
Balance, end of period	**-**	427,320

Conversion feature consists of the following:

	September 30, 2020	December 31, 2019
	$	$
Balance, beginning of period	**2,795**	22,565
Amount allocated to conversion option (b)(c)	**-**	753,491
Amount converted to units (b)	**-**	(189,735)
Gain on change in fair value of conversion feature	**(2,795)**	(583,526)
Balance, end of period	**-**	2,795

Fair value of the conversion feature is based on the following assumptions for the Black-Scholes option pricing on the respective grant dates:

Grant Date	Expected Life (years)	Unit Price	Expected Volatility	Risk-Free Rate		Grant Date Fair Value
March 1, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	662,061
June 26, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	82,332
July 31, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	72,831
July 31, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	169,959
July 31, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	34,832
August 22, 2017	1	$0.0056 (C$0.0075)	100.0%	0.76%	$	25,332
September 27, 2018	1	$0.14 (C$0.18)	100.0%	1.85%	$	172,386
April 2, 2019	1	$0.20 (C$0.27)	100.0%	1.57%	$	599,460
May 3, 2019	1	$0.24 (C$0.32)	100.0%	1.67%	$	154,031

Fair value of the conversion feature is based on the following assumptions for the Black-Scholes option pricing on the respective revaluation dates:

Reporting Date	Expected Life (years)	Unit Price	Expected Volatility	Risk-Free Rate		Reporting Date Fair Value
December 31, 2019	0.25-0.34	$0.03 (C$0.04)	100.0%	1.71%	$	2,795

Expected dividend yield is 0% for all measurement dates.

12. CONVERTIBLE DEBENTURES (continued)

a) On September 27, 2018, the Company raised $442,437 (C$575,060) through the issue of convertible debentures, expiring on September 27, 2019. The holder may at any time during the term of the convertible debenture convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.14 (C$0.19). The fair value of the conversion feature at the grant date was estimated at $172,386 using the Black-Scholes option pricing model. A total of $57,791 (C$75,060) was converted to 422,678 units on December 14, 2018. The fair value assigned to the conversion feature was at $nil and the fair value assigned to the debt component was $18,990 on the conversion date.

   A total of $356,720 (C$500,000) and accrued interest of $42,180 (C$56,376) was converted to 6,129,030 units on May 7, 2020. The fair value assigned to the conversion feature was at $nil and the fair value assigned to the debt and interest component was $406,233 on the conversion date (note 16(a)(vii)).

b) On April 2, 2019, the Company raised $599,460 (C$799,500) through the issue of convertible debentures, expiring on April 2, 2020. The Company incurred transaction costs of $55,669 (C$74,285) comprised of 40,000 common shares issued to agents with a fair value of $0.14 (C$0.20), based on share price on the date of issuance, for consideration of $5,995 (C$8,000) (Note 18(a)), 295,590 share purchase warrants issued to agents with an exercise price of $0.12 (C$0.16) and a fair value of $21,305 (Note 18(c)) and cash of $28,369 (C$37,855). As part of the debenture financing, the Company also issued 295,590 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on April 2, 2021 (note 18(c)). The holder may at any time during the term of the convertible debenture convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.16 (C$0.21). The fair value of the conversion feature at the grant date was estimated at $599,460 using the Black-Scholes option pricing model.

   During the year ended December 31, 2019, $326,210 (C$432,000) was converted into 3,991,524 units of the Company consisting of one common share and one share purchase warrant (Note 17(a)). The cumulative fair value assigned to the conversion feature was at $189,735 and the fair value assigned to the debt component was $nil on the respective conversion dates (note 16(a)(xxx - xxxiv)).

   On April 7, 2020, pursuant to the conversion of convertible debentures with a face value of $268,554 (C$367,500) and accrued interest of $16,113 (C$22,050), the Company issued 3,541,366 units. Each unit is comprised of one common share and one common share purchase warrant. The cumulative fair value assigned to the conversion feature was at $nil and the fair value assigned to the debt and interest component was $258,839 on the conversion date (note 16(a)(iv)).

c) On May 3, 2019, the Company raised $154,031 (C$207,270) through the issue of convertible debentures, expiring on September 27, 2019. The holder may at any time during the term of the convertible debenture convert all or part into units of the Company consisting of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price equal to $0.16 (C$0.21). The fair value of the conversion feature at the grant date was estimated at $154,031 using the Black-Scholes option pricing model.

   On April 8, 2020, pursuant to the conversion of convertible debentures with a face value of $147,691 (C$207,270) and accrued interest of $8,254 (C$11,584), the Company issued 1,989,588 units. Each unit is comprised of one common share and one common share purchase warrant. The cumulative fair value assigned to the conversion feature was at $nil and the fair value assigned to the debt and interest component was $62,301 on the conversion date (note 16(a)(v)).

(in United States dollars, except where noted) - Unaudited

13. LEASE LIABILITY

The lease liability consists of the following:

	Empower clinics	Sun Valley clinics	CBD extraction facility	Total
	$	$	$	$
Balance, December 31, 2018	-	-	-	-
Adoption of IFRS 16	138,444	-	-	138,444
Additions	23,006	431,544	406,263	860,813
Interest expense	4,318	13,404	7,955	25,677
Payments	(64,681)	(112,798)	(26,233)	(203,712)
Termination of leases	(86,326)	-	-	(86,326)
Balance, December 31, 2019	14,761	332,150	387,985	734,896
Interest expense	493	12,639	16,428	29,560
Payments	(9,180)	(129,333)	(46,729)	(185,242)
Balance, September 30, 2020	6,074	215,456	357,684	579,214
Less: non-current portion	-	91,792	313,689	405,481
Current portion	**6,074**	**123,664**	**43,995**	**173,733**

During the nine months ended September 30, 2020, the Company recognized an expense of $35,043 with respect to short-term and low value leases.

14. LOAN PAYABLE

On May 27, 2020, the Company received a Canadian Emergency Business Account loan in the amount of $29,987 (C$40,000). The loan bears no interest and matures on December 31, 2022.

15. WARRANT LIABILITY

The warrants are classified as a financial instrument under the principles of IFRS 9, as the exercise price is in Canadian dollars while the functional currency of the Company is the US dollar. Accordingly, warrants are remeasured to fair value at each reporting date with the change in fair value charged to change in fair value of warrant liability.

Issuance	Expiry Date	Exercise Price	Warrants Outstanding	Warrant Liability
			#	$
As at December 31, 2018		C$0.36 $0.28	14,894,898	106,172
Expiry	October 22, 2019	C$0.36 $0.28	(2,000,000)	-
Expiry	October 22, 2019	C$0.36 $0.28	(517,132)	-
Expiry	December 14, 2020	C$0.19 $0.14	(312,903)	-
Exercise (1)	June 11, 2019	C$0.36 $0.28	(422,678)	(18,847)
Shares issued (2)	April 2, 2021	C$0.16 $0.12	21,115,000	1,521,921
Shares issued (3)	May 3, 2021	C$0.16 $0.12	5,762,500	429,109
Convertible Debt Conversion (4)	July 22, 2021	C$0.16 $0.12	1,018,245	42,749
Convertible Debt Conversion (5)	August 12, 2021	C$0.16 $0.12	928,817	33,745
Convertible Debt Conversion (6)	August 19, 2021	C$0.16 $0.12	929,864	28,973
Convertible Debt Conversion (7)	August 26, 2021	C$0.16 $0.12	909,090	23,992
Convertible Debt Conversion (8)	September 13, 2021	C$0.16 $0.12	102,696	1,800
Convertible Debt Conversion (9)	September 20, 2021	C$0.16 $0.12	102,812	2,479
Marketing services agreement (10)	September 22, 2022	C$0.31 $0.24	3,746,080	-
Change in fair value of warrant liability				(2,065,781)
As at December 31, 2019			46,257,289	106,312
Expiry	April 23, 2020	C$0.39 $0.29	(11,642,183)	-
Convertible Debt Conversion (11)	April 7, 2022	C$0.16 $0.12	3,541,366	54,189
Convertible Debt Conversion (12)	April 8, 2022	C$0.16 $0.12	1,989,588	30,433
Convertible Debt Conversion (13)	May 7, 2021	C$0.19 $0.14	6,129,030	42,429
Shares issued (14)	April 16, 2022	C$0.10 $0.07	16,325,000	249,370
Shares issued (15)	July 15, 2022	C$0.12 $0.09	14,417,334	227,402
Change in fair value of warrant liability				(475,539)
As at September 30, 2020			**77,017,424**	**200,596**

15. WARRANT LIABILITY (continued)

(1) On December 14, 2018, the Company issued 422,678 units; consisting of 422,678 common shares and 422,678 common share purchase warrants.

(2) On April 2, 2019, the Company issued 21,115,000 units; each consists of one common share and one common share purchase warrant (note 16(a)(xviii)). The warrants expire April 2, 2021.

(3) On May 3, 2019, the Company issued 5,762,500 units; each consists of one common share and one common share purchase warrant (note 16(a)(xx)). The warrants expire May 3, 2021.

(4) On July 22, 2019, pursuant to the conversion of convertible debentures, the Company issued 1,018,245 units; consisting of 1,018,245 common shares and 1,018,245 common share purchase warrant (note 16(a)(xxvi)). The warrants expire July 22, 2021.

(5) On August 12, 2019, pursuant to the conversion of convertible debentures, the Company issued 928,817 units; consisting of 928,817 common shares and 928,817 common share purchase warrant (note 16(a)(xxx)). The warrants expire August 12, 2021.

(6) On August 19, 2019, pursuant to the conversion of convertible debentures, the Company issued 949,864 units; consisting of 949,864 common shares and 949,864 common share purchase warrant (note 16(a)(xxxi)). The warrants expire August 19, 2021.

(7) On August 26, 2019, pursuant to the conversion of convertible debentures, the Company issued 909,090 units; consisting of 909,090 common shares and 909,090 common share purchase warrant (note 16(a)(xxxii). The warrants expire August 26, 2021.

(8) On September 13, 2019, pursuant to the conversion of convertible debentures, the Company issued 102,696 units; consisting of 102,696 common shares and 102,696 common share purchase warrant (note 16(a)(xxxiii)). The warrants expire September 13, 2021.

(9) On September 30, 2019, pursuant to the conversion of convertible debentures, the Company issued 102,812 units; consisting of 102,812 common shares and 102,812 common share purchase warrant (note 16(a)(xxxiv). The warrants expire September 20, 2021.

(10) On July 30, 2019, pursuant to a prior marketing services agreement entered into on September 10, 2017, the Company issued 3,746,080 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of C$0.31 ($0.24) for a period of thirty-seven months following the date of issuance.

(11) On April 7, 2020, pursuant to the conversion of convertible debentures, the Company issued 3,541,366 units; consisting of 3,541,366 common shares and 3,541,366 common share purchase warrant (note 16(a)(iv)). The warrants expire April 7, 2022.

(12) On April 8, 2020, pursuant to the conversion of convertible debentures, the Company issued 1,989,588 units; consisting of 1,989,588 common shares and 1,989,588 common share purchase warrant (note 16(a)(v)). The warrants expire April 8, 2022.

(13) On May 7, 2020, pursuant to the conversion of convertible debentures, the Company issued 6,129,030 units; consisting of 6,129,030 common shares and 6,129,030 common share purchase warrant (note 16(a)(vii)). The warrants expire May 7, 2021.

(14) On April 16, 2020, the Company issued 16,325,000 units; each consists of one common share and one common share purchase warrant (note 16(a)(vi)). The warrants expire April 16, 2022.

(15) On July 15, 2020, the Company issued 14,417,334 units; each consists of one common share and one common share purchase warrant (note 16(a)(xi). The warrants expire on July 15, 2022.

16. EQUITY

a) Authorized share capital

Unlimited number of common shares without nominal or par value.

At September 30, 2020, there were 196,243,209 issued and outstanding common shares (December 31, 2019 – 137,697,430). The Company does not currently pay dividends and entitlement will only arise upon declaration.

(in United States dollars, except where noted) - Unaudited

16. EQUITY (continued)

A continuity of share capital is as follows:

Issuance	Note	Number of Common Shares	Total Consideration	Warrant Liability	Share Capital
		#	$	$	$
Balance, December 31, 2018		77,847,598			5,401,024
Share issued for Sun Valley acquisition	(xix)	22,409,425	2,143,566	-	2,143,566
Share issued for cash	(xviii)(xx)(xxvii)	24,452,500	1,829,866	1,773,993	55,873
Share issued for conversion of notes payable	(xviii)	2,500,000	184,291	177,037	7,254
Shares issued for convertible debentures	(xxvi)(xxx)(xxxi)(xxxii)(xxxiii) (xxxiv)	3,991,524	189,735	133,738	55,997
Shares issued for compensation	(xxiii)(xxiv)	7,400,000	304,721	-	304,721
Shares issued for services	(xvi)	1,500,000	257,041	-	257,041
Shares issued for settlement of accounts payable	(xxviii)(xxix)	1,686,861	208,153	-	208,153
Shares cancelled	(xiv)(xv)(xxv)	(4,657,553)	-	-	(669,236)
Shares cancelled and to be reissued	(xv)	-	(15,239)	-	(15,239)
Shares issued for exercise of warrants	(xvii)	431,075	42,440	(18,847)	61,287
Shares issued to agents	(xx)(xxi)	136,000	20,255	-	20,255
Share issue costs		-	-	-	(3,386)
Balance, December 31, 2019		137,697,430			7,827,310
Shares issued to former CEO	(iii)	651,875	15,239	-	15,239
Shares issued to settle accounts payable	(i)(viii)(x)	5,841,586	196,974	-	196,974
Shares issued for compensation		-	143,811	-	143,811
Shares issued for services	(ii)(xii)(xiii)	9,500,000	270,292	-	270,292
Shares issued for cash	(vi)(xi)	30,742,334	947,912	(457,444)	490,468
Shares issued for conversion of debentures	(iv)(v)(vii)	11,659,984	696,016	(112,381)	583,635
Obligation to issue shares	(ix)	150,000	6,811	-	6,811
Share issue costs		-	(6,525)	-	(6,525)
Balance, September 30, 2020		196,243,209			9,528,015

The Company had the following common share transactions during the nine months ended September 30, 2020:

i. On January 23, 2020, the Company issued 4,800,000 common shares for $0.03 (C$0.045) per common share for total fair value consideration of $164,346 (C$216,000) as settlement of accounts payable in the amount of $182,607 (C$240,000) resulting in a gain on debt settlement of $18,261 (note 8).

ii. On February 11, 2020, the Company issued 4,000,000 common shares for $0.03 (C$0.035) per common share for total fair value consideration of $105,327 (C$140,000) for marketing services.

16. EQUITY (continued)

iii. On March 11, 2020, pursuant to the incorrect cancellation of common shares of the former CEO, the Company issued 651,875 common shares.

iv. On April 7, 2020, pursuant to the conversion of convertible debentures with a face value of $268,554 (C$367,500) and accrued interest of $16,113 (C$22,050), the Company issued 3,541,366 common shares and 3,541,366 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.07 (C$0.10) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $nil and the debt was valued at $258,839. Consideration of $54,189 was recorded to warrant liability and the residual amount of $204,650 was recorded to issued capital.

v. On April 8, 2020, pursuant to the conversion of convertible debentures with a face value of $147,691 (C$207,270) and accrued interest of $8,254 (C$11,584), the Company issued 1,989,588 common shares and 1,989,588 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.07 (C$0.10) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $nil and the debt was valued at $62,301. Consideration of $30,431 was recorded to warrant liability and the residual amount of $31,870 was recorded to issued capital.

vi. On April 16, 2020, pursuant to a private placement financing, the Company issued 16,325,000 units for $0.03 (C$0.04) per unit for gross proceeds of $462,400 (C$653,000) comprised of cash of $219,300 (C$313,000) and the settlement of accounts payable in the amount of $243,100 (C$340,000). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.07 (C$0.10) per share for a period of twenty-four months following the closing date of the financing (note 13). Share issue costs included cash payments of $1,714 (C$2,400) and the issuance of 60,000 share purchase warrants valued at $1,082 using the Black-Scholes option pricing model with the following assumptions: a two year expected average life, share price of $0.04 (C$0.05); 100% volatility; risk-free interest rate of 0.34%; and an expected dividend yield of 0%. Consideration of $249,370 was recorded to warrant liability and the residual amount of $213,029 was recorded to issued capital.

vii. On May 7, 2020, pursuant to the conversion of convertible debentures with a face value of $356,720 (C$500,000) and accrued interest of $42,180 (C$56,376), the Company issued 3,064,515 common shares and 3,064,515 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.09 (C$0.12) for a period of one year following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $nil and the debt was valued at $406,233. Consideration of $42,433 was recorded to warrant liability and the residual amount of $363,802 was recorded to issued capital.

viii. On May 7, 2020, the Company issued 347,142 common shares for $0.06 (C$0.09) per common share for total fair value consideration of $18,651 (C$27,767) as settlement of accounts payable in the amount of $23,189 (C$32,500) resulting in a gain on debt settlement of $4,538 (note 8).

ix. On May 20, 2020, pursuant to the issuance of a promissory note payable in the amount of $188,765 (C$250,000) (note 9(c)), the Company settled its obligation to issues 150,000 common shares.

x. On May 20, 2020, the Company issued 694,444 common shares for $0.03 (C$0.04) per common share for total fair value consideration of $17,496 (C$25,000) as settlement of accounts payable in the amount of $17,996 (C$25,000) resulting in a gain on debt settlement of $500 (note 8).

16. EQUITY (continued)

xi. On July 15, 2020, pursuant to a private placement financing, the Company issued 14,417,334 units for $0.04 (C$0.05) per unit for gross proceeds of $532,280 (C$720,867) comprised of cash of $335,352 (C$454,167) and the settlement of accounts payable in the amount of $196,928 (C$266,700). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.09 (C$0.12) per share for a period of twenty-four months following the closing date of the financing (note 13). Share issue costs included cash payments of $3,553 (C$4,800) and the issuance of 96,000 share purchase warrants valued at $1,509 using the Black-Scholes option pricing model with the following assumptions: a two year expected average life, share price of $0.04 (C$0.06); 100% volatility; risk-free interest rate of 0.24%; and an expected dividend yield of 0%. Consideration of $227,402 was recorded to warrant liability and the residual amount of $304,878 was recorded to issued capital.

xii. On September 22, 2020, the Company issued 2,500,000 common shares for $0.03 (C$0.04) per common share for total fair value consideration of $75,131 (C$100,000) for marketing services.

xiii. On September 23, 2020, the Company issued 3,000,000 common shares for $0.03 (C$0.04) per common share for total fair value consideration of $89,834 (C$120,000) as settlement of accounts payable in the amount of $112,292 (C$150,000) resulting in a gain on debt settlement of $22,458 (note 8).

The Company had the following common share transactions during the year ended December 31, 2019:

xiv. On January 17, 2019, the Company cancelled 422,678 common shares, which had been issued for $0.14 (C$0.18) per common share and issued 417,000 common shares at a deemed price of $0.14 (C$0.18) per common share.

xv. On March 3, 2019, pursuant to the termination agreement with the former CEO, the Company cancelled 2,000,000 common shares. An additional 651,875 common shares were cancelled in error and reissued on March 11, 2020.

xvi. On March 8, 2019, pursuant to a service agreement, the Company issued 1,500,000 common shares at a deemed price of $0.17 (C$0.23) per common share for total fair value consideration of $257,041 as settlement of accounts payable in the amount of $257,041 (C$347,500).

xvii. On March 22, 2019, pursuant to the exercise of 422,678 common share purchase warrants and late charges, the Company issued 431,075 common shares for $0.14 (C$0.19) per common share.

xviii. On April 2, 2019, pursuant to a private placement financing, the Company issued 21,115,000 units for $0.07 (C$0.10) per unit for gross proceeds of $1,583,189 (C$2,115,000) comprised of cash of $1,396,105 (C$1,865,000) and the settlement of notes payable in the amount of $184,291 (C$250,000) (Note 11(g)(h)).Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.12 (C$0.16) per share for a period of twelve months following the closing date of the financing (note 17). Share issue costs included cash payments of $63,324 (C$84,499) and the issuance of 363,900 share purchase warrants valued at $26,229 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.13 (C$0.175); 100% volatility; risk-free interest rate of 1.57%; and an expected dividend yield of 0%. Consideration of $1,951,030 was recorded to warrant liability and the residual amount of $63,127 was recorded to issued capital.

xix. On April 30, 2019, pursuant to the acquisition of Sun Valley, the Company issued 22,409,425 common shares at a fair value of $0.136 (C$0.18) per common share. Of the common shares issued 14,705,882 were Escrow Shares of which 2,450,978 were release during the year ended December 31, 2019. As at December 31, 2019, there were 12,254,904 Escrow shares remaining.

16. EQUITY (continued)

xx. On May 3, 2019, pursuant to a private placement financing, the Company issued 5,762,500 units for $0.07 (C$0.10) per unit for gross proceeds of $429,109 (C$576,250).Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.12 (C$0.16) per share for a period of twelve months following the closing date of the financing (note 16). Share issue costs included cash payments of $24,928 (C$33,428) and the issuance of 217,950 share purchase warrants valued at $18,870 using the Black-Scholes option pricing model with the following assumptions: a one year expected average life, share price of $0.15 (C$0.20); 100% volatility; risk-free interest rate of 1.67%; and an expected dividend yield of 0%.

xxi. On May 3, 2019, pursuant to the terms on the private placement financing, the Company issued 96,000 common shares to agents for a fair value of $0.15 (C$0.20) per common share for consideration of $14,298 (C$19,200). The amount is included issued capital.

xxii. On May 3, 2019, pursuant to the terms on the debenture financing, the Company issued 40,000 common shares to agents for a fair value of $0.15 (C$0.20) per common share, based on share price on the issuance date, for consideration of $5,957 (C$8,000). The amount is included in issued capital.

xxiii. On June 17, 2019, pursuant to obligations under an employment contract, the Company issued 7,000,000 common shares to the CEO, for a deemed value of $0.10 (C$0.14) per common share for total consideration paid to the CEO of $730,982 (C$980,000). Of the 7,000,000 common shares, 2,000,000 common shares vested immediately, and the remaining 5,000,000 common shares are held in escrow and vest quarterly with 416,666 common shares vesting each quarter commencing on September 17, 2019. The common shares are subject to a four-month holding period from the date of vesting. As at December 31, 2019 a total of 324,852 common shares had vested,

xxiv. On June 17, 2019, pursuant to obligations under a consulting agreement, the Company issued 400,000 common shares to the CIO, for a fair value of $0.10 (C$0.14) per common share for total consideration paid to the CIO of $41,770 (C$56,000). The 400,000 common shares are held in escrow and vest quarterly with 44,400 common shares vesting each quarter commencing September 17, 2019. The Company will record a quarterly expense of $47,937 to operating expenses on the consolidated statements loss and comprehensive loss as the shares vest.

xxv. On July 3, 2019, the Company cancelled 2,000,000 common shares with a fair value of $0.09 ($0.12) per common share. The common shares were reacquired and cancelled as the Company cancelled the marketing services agreement, pursuant to which the common shares and warrants were originally issued, due to non-performance of services by the marketing company.

xxvi. On July 22, 2019, pursuant to the conversion of convertible debentures with a face value of $83,063 (C$110,000) and accrued interest of C$1,529 (C$2,025), the Company issued 1,018,245 common shares and 1,018,245 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of C$0.16 ($0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $48,657 and the debt was valued at $nil. Consideration of $42,749 was recorded to warrant liability and the residual amount of $5,908 was recorded to issued capital.

xxvii. On July 30, 2019, the Company issued 75,000 common shares at a fair value of $0.02 (C$0.03) per common share for consideration received from a June 16, 2016 subscription agreement.

xxviii. On July 30, 2019, the Company issued 1,409,938 common shares at a fair value of $0.13 (C$0.175) per common share for services received for total fair value consideration of $186,466 (C$246,700) as settlement of accounts payable in the amount of $198,591 (C$258,019) resulting in a gain on debt settlement of $12,125.

16. EQUITY (continued)

xxix. On July 30, 2019, the Company issued 276,923 common shares at a fair value of $0.10 (C$0.13) per common share for services received for total fair value consideration of $27,697 (C$36,471) as settlement of accounts payable in the amount of $24,692 (C$36,000) resulting in a gain on debt settlement of $3,005.

xxx. On August 12, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000) and accrued interest of $1,651 (C$2,186), the Company issued 928,817 common shares and 928,817 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $44,898 and the debt was valued at $nil. Consideration of $33,745 was recorded to warrant liability and the residual amount of $11,153 was recorded to issued capital.

xxxi. On August 19, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000) and accrued interest of $1,738 (C$2,301), the Company issued 929,864 common shares and 929,864 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $51,413 and the debt was valued at $nil. Consideration of $28,973 was recorded to warrant liability and the residual amount of $22,440 was recorded to issued capital.

xxxii. On August 26, 2019, pursuant to the conversion of convertible debentures with a face value of $75,512 (C$100,000), the Company issued 909,090 common shares and 909,090 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $39,892 and the debt was valued at $nil. Consideration of $23,992 was recorded to warrant liability and the residual amount of $15,900 was recorded to issued capital.

xxxiii. On September 13, 2019, pursuant to the conversion of convertible debentures with a face value of $8,306 (C$11,000) and accrued interest of C$225 ($298), the Company issued 102,696 common shares and 102,696 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.16 (C$0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $2,206 and the debt was valued at $nil. Consideration of $1,800 was recorded to warrant liability and the residual amount of $406 was recorded to issued capital.

xxxiv. On September 30, 2019, pursuant to the conversion of convertible debentures with a face value of $8,306 (C$11,000) and accrued interest of $249 (C$329), the Company issued 102,812 common shares and 102,812 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of C$0.16 ($0.12) for a period of two years following the closing date of the conversion. At the date of the conversion, the conversion feature was valued at $2,669 and the debt was valued at $nil. Consideration of $2,479 was recorded to warrant liability and the residual amount of $190 was recorded to issued capital.

b) Share options

The Company has an incentive share option plan ("the plan") in place under which it is authorized to grant share options to executive officers, directors, employees and consultants. The plan allows the Company to grant share options up to a maximum of 10.0% of the number of issued shares of the Company.

(in United States dollars, except where noted) - Unaudited

16. EQUITY (continued)

Share option transactions and the number of share options outstanding during the nine months ended September 30, 2020 and the year ended December 31, 2019, are summarized as follows:

	Number of share options	Weighted average exercise price (C$)
Outstanding, December 31, 2018	7,600,000	0.25
Cancelled	(4,850,000)	0.27
Granted	7,700,000	0.14
Outstanding, December 31, 2019	10,450,000	0.16
Granted	1,470,000	0.05
Outstanding, September 30, 2020	**11,920,000**	**0.15**
Exercisable, September 30, 2020	**11,920,000**	**0.15**

Share options outstanding and exercisable at September 30, 2020, are as follows:

Exercise price (C$)	Number of options outstanding	Weighted average exercise price (C$)	Weighted average life of options (years)	Number of options exercisable	Weighted average exercise price (C$)	Weighted average life of options (years)
0.05	1,470,000	0.05	2.39	1,470,000	0.05	2.39
0.10	1,400,000	0.10	1.28	1,400,000	0.10	1.28
0.14	7,700,000	0.14	3.53	7,700,000	0.14	3.53
0.26	450,000	0.26	3.05	450,000	0.26	3.05
0.38	900,000	0.38	2.65	900,000	0.38	2.65
	11,920,000	**0.15**	**3.04**	**11,620,000**	**0.15**	**3.04**

The fair value of share options recognized as an expense during the three and nine months ended September 30, 2020, was $1,738 and $31,592, respectively (three and nine months ended September 30, 2019 - $7,388 and $479,508, respectively). The following are the assumptions used for the Black Scholes option pricing model valuation of share options granted during the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30,	
	2020	2019
Risk-free interest rate	**0.47%-1.57%**	1.34%
Expected life	**3 years**	3–5 years
Expected volatility	**100.0%**	100.0%
Forfeiture rate	**0.0%**	0.0%
Dividend rate	**0.0%**	0.0%

The risk-free rate of periods within the expected life of the share options is based on the Canadian government bond rate. The annualized volatility and forfeiture rate assumptions are based on historical results.

(in United States dollars, except where noted) - Unaudited

16. EQUITY (continued)

c) Agent share purchase warrants

Agent share purchase warrant transactions and the number of agent share purchase warrants outstanding during the nine months ended September 30, 2020 and year ended December 31, 2019, are summarized as follows:

	Number of agent share purchase warrants	Weighted average exercise price
Outstanding, December 31, 2018	627,378	$0.31
Granted (1)(2)(3)	877,440	$0.16
Outstanding, December 31, 2019	1,504,818	$0.24
Granted (4)(5)	156,000	$0.10
Exercisable, September 30, 2020	**1,564,818**	**$0.24**

(1) On April 2, 2019, as part of a private placement financing, the Company issued 363,900 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on April 2, 2021.

(2) On April 2, 2019, as part of a debenture financing, the Company issued 659,490 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on April 2, 2021.

(3) On May 3, 2019, as part of a private placement financing, the Company issued 217,950 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.12 (C$0.16) and expire on May 3, 2021.

(4) On April 16, 2020, as part of a private placement financing, the Company issued 60,000 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.07 (C$0.10) and expire on April 16, 2022 (note 16(a)(vi)).

(5) On July 15, 2020, as part of a private placement financing, the Company issued 96,000 share purchase warrants to agents. The share purchase warrants have an exercise price of $0.09 (C$0.12) and expire on July 15, 2022 (note 16(a)(xi).

17. OPERATING EXPENSES

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2020**	2019	**2020**	2019
		$	$	**$**	$
Salaries and benefits	20	**456,487**	720,829	**1,397,438**	1,713,074
Rent		**3,381**	5,634	**35,043**	78,325
Advertising and promotion		**308,280**	258,137	**543,075**	349,417
Telephone and internet		**30,265**	40,389	**80,512**	93,189
Other		**233,157**	17,796	**321,860**	109,655
		1,031,570	1,042,785	**2,377,928**	2,343,660

(in United States dollars, except where noted) - Unaudited

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	Note	Nine months ended September 30, 2020	2019
		$	$
Vesting of escrow shares	16(a),20	**143,811**	287,784
Shares issued for acquisition of Sun Valley	4,16(a)	**-**	3,047,682
Warrants issued for services	20	**-**	208,846
Shares returned to treasury [(1)]	16(a),20	**-**	(480,017)
Shares returned to treasury [(2)]	16(a)	**-**	(474,260)
Shares issued for settlement of note payable	9,16(a)	**-**	187,084
Shares issued to agents	16(a)	**-**	21,936
Shares issued as settlement of convertible debentures payable	12,16(a)	**583,635**	161,382
Shares issued as settlement of accounts payable	8,16(a)	**196,974**	-
Shares issued for services	16(a)	**270,292**	134,635
Shares issued to former CEO [(1)]	16(a),20	**15,239**	-

[(1)] Pursuant to the termination agreement with the former CEO, the Company cancelled 2,651,875 common shares of which 651,875 were incorrectly cancelled and reissued on March 11, 2020 (note 16(a)(xv)).

[(2)] The common shares were reacquired and cancelled as the Company cancelled the marketing services agreement, pursuant to which the common shares and warrants were originally issued, due to non-performance of services by the marketing company.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, accounts receivable, due from related parties, promissory note receivable, accounts payable and accrued liabilities, share subscriptions and amounts due to related parties approximate their carrying values due to their short-term nature.

The secured loan payable, notes payable, convertible note payable and convertible debentures are categorized as Level 2 and have been recorded at amortized cost. The carrying value approximates their carrying values due to their relatively short-term nature.

As at September 30, 2020 and December 31, 2019, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above with the exception of the conversion feature liability (note 12) and warrant liability (note 15), which are a Level 3 fair value measurement.

(in United States dollars, except where noted) - Unaudited

20. RELATED PARTY TRANSACTIONS

The Company's related parties include subsidiaries, associates, joint ventures, affiliated entities and key management personnel and any transactions with such parties for goods and/or services that are made on regular commercial terms. During the nine months ended September 30, 2020 and 2019, the Company did not enter into any transactions with related parties outside of compensation to key management personnel as disclosed below.

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company. Salaries and benefits, bonuses, and termination benefits are included in operating expenses and share-based payments are recorded as share-based payment expense or share capital.

Key management compensation includes:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries and benefits	**174,617**	143,767	**516,218**	465,113
Share-based payments	**1,738**	-	**12,156**	472,120
Directors fees	**3,750**	-	**11,250**	-
	180,105	143,767	**539,624**	937,233

Included in cost of goods sold for the three and nine months ended September 30, 2020 is $nil and $11,045, respectively (three and nine months ended September 30, 2019 - $5,921 and $18,611, respectively) in product purchases made from Sun Valley Science LLC, an entity controlled by the Senior Vice President Development and Director.

Included in salaries and benefits for the three and nine months ended September 30, 2020 is $61,846 and $129,902, respectively (2019 - $58,007 and $266,853, respectively) related to common shares awarded to the CEO during 2019 which vested during the nine months ended September 30, 2020 (note 16(a)(xxiii)).

As at September 30, 2020, $1,196 (December 31, 2019 - $28,827) is due to the CEO for advances made on behalf of the Company and $274,924 (December 31, 2019 - $133,444) is due to the CEO for salaries and benefits. The amounts are unsecured and due on demand.

As at September 30, 2020, $64,000 (December 31, 2019 - $140,000) is due to the Senior Vice Present Development and Director and his spouse for consideration related to the Sun Valley acquisition.

21. MANAGEMENT OF CAPITAL

The Company's objectives of capital management are intended to safeguard the Company's normal operating requirements on an ongoing basis. At September 30, 2020, the capital of the Company consists of consolidated equity, notes payable, convertible debentures payable, convertible notes payable, and secured loan payable, net of cash.

	September 30, 2020	December 31, 2019
	$	$
Equity	**(3,182,455)**	(3,514,913)
Notes payable	**891,874**	969,891
Convertible debentures payable	**-**	427,320
Convertible notes payable	**190,460**	192,717
Secured loan payable	**796,714**	761,711
	(1,303,407)	(1,163,274)
Less: Cash	**(112,539)**	(179,153)
	(1,415,946)	(1,342,427)

21. MANAGEMENT OF CAPITAL (continued)

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company also has in place a planning, budgeting and forecasting process which is used to identify the amount of funds required to ensure the Company has appropriate liquidity to meet short and long-term operating objectives.

The Company is dependent on cash flows generated from its clinical operations and from external financing to fund its activities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt.

At September 30, 2020 and December 31, 2019, the Company was not subject to any externally imposed capital requirements.

22. EVENTS AFTER THE REPORTING PERIOD

On October 5, 2020, the Company issued 375,000 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of $0.03 (C$0.04) for a period of three years from the date of issuance.

On October 9, 2020, the Company issued 704,666 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of $0.04 (C$0.06) for a period of three years from the date of issuance.

On October 13, 2020, the Company issued 1,500,000 stock options. Each stock option entitles the holder to purchase one common share of the Company at an exercise price of $0.05 (C$0.07) for a period of three years from the date of issuance.

On November 3, 2020, the CEO of the Company exercised 7,000,000 stock options with an exercise price of $0.11 (C$0.14). The Company recorded an amount receivable from the CEO of the Company of $745,531 (C$980,000). Pursuant to the exercise, the Company issued 7,000,000 common shares.

On November 6, 2020, the Company closed a private placement of units of the Company (the "Units"), pursuant to which the Company issued 24,567,131 Units at a price of ($0.04) C$0.05 per Unit (the "Offering Price") for aggregate gross proceeds of $934,467 (C$1,228,357) (the "Offering") comprised of cash of $920,502 (C$1,210,000) and the settlement of accounts payable in the amount of $13,965 (C$18,357). Each Unit is comprised of one common share of the Company and one Common Share purchase warrant (a "Warrant"), with each Warrant exercisable to acquire one common share at a price of $0.09 (C$0.12) per Warrant for a period of 24 months from the closing of the Offering. In connection with the Offering, the Company paid share issue costs of $66,946 (C$88,000) and granted agent compensation options exercisable for 1,760,000 Units at an exercise price equal to the Offering Price for a period of 24 months following the closing of the Offering.