Empower Clinics Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2020, 2019 and 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Empower Clinics Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Empower Clinics Inc. (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for each of the years in the three year period ended December 31, 2020, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three year period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

This matter is also described in the “Critical Audit Matters” section of our report.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter Description	Audit Response
Going Concern Refer to Note 1 to the consolidated financial statements. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a history of losses and negative cash flows from operating activities, and as at December 31, 2020, the Company had a working capital deficiency of $1,746,818 (December 31, 2019 - $4,185,359) and an accumulated deficit of $30,078,630 (December 31, 2019 - $13,012,319). This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report. We identified managements judgments and assumptions used to assess the Company's ability to continue as a going concern as a critical audit matter due to inherent complexities and uncertainties related to the Company's cash flow forecasts. Auditing these judgments and assumptions involved especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.	We responded to this matter by performing procedures over going concern. Our audit work in relation to this included, but was not restricted to, the following: • We obtained and tested the Company's forecast cash flows by testing the completeness and accuracy of the underlying data used by benchmarking it to externally derived industry data and evaluating the Company's historical results. • We evaluated the estimates and assumptions by developing an understanding of the nature of each critical assumption and estimate and then assessed their sensitivity to reasonably possible changes, including notably, the probability that management will be able to access funding by assessing the terms of current year agreements and the company's history in obtaining financing. • We assessed the adequacy of the disclosures related to the application of the going concern assumption.
Acquisitions of Kai Medical Laboratory, LLC and Lawrence Park and Atkinson Refer to Notes 6 and 7 to the consolidated financial statements. On October 5, 2020, the Company entered into a membership interest purchase agreement to acquire 100% interest in the business of Kai Medical Laboratory, LLC for total consideration of $20,050. On December 31, 2020, the Company entered into a share purchase agreement to acquire 100% interest in the businesses of Lawrence Park Health and Wellness Clinic Inc., 1100900 Canada Inc dba Atkinson, and Momentum Health Inc. collectively ("Lawrence Park & Atkinson'") for total consideration of $1,771,409. These transactions have been accounted for by the Company as business combinations under IFRS 3 - Business Combinations. Due to the complexities involved in the assessment of business combination versus asset acquisition as well as the significant judgments, assumptions and estimates, including projected cash flows, volatility, risk free rate and discount rates, within the methodology utilized to measure the fair value of the related assets and liabilities acquired and consideration paid, we have identified this area as a critical audit matter.	We responded to this matter by performing procedures over the estimated fair value of the assets acquired and liabilities assumed. Our audit work in relation to each of these acquisitions included, but was not restricted to, the following: • We obtained a copy of the amended and restated purchase and sale agreement from management and read the terms in detail to ensure that the transaction has been appropriately assessed as a business combination; • We obtained management's analysis and a memo detailing how the fair value of assets and liabilities acquired have been determined, the purchase consideration paid, and the resulting goodwill recognized on the transaction; • We involved internal valuation specialists to test the appropriateness of the methodology used in the valuation of the assets acquired and liabilities assumed. We also verified the appropriateness of the key inputs and assumptions used in the above model including revenue growth rates, operating margins and discount rates by comparing such items to the industry projections and conditions found in industry reports as well as historical operating results of the entity acquired; • We also involved external appraisal experts to assess the appropriateness of the depreciated replacement cost of the property and equipment acquired, by performing an independent calculation and inspecting the estimated remaining years of service for the underlying assets based on the original acquisition dates and condition of assets; • We assessed the qualifications of the valuators engaged by the Company based on their credentials and experience; and • We performed sensitivity analysis of the significant assumptions relating to forecasted revenue, expenses and discount rates within the valuation models by varying key assumptions within an observable range.

Measurement of Purchase Consideration Payable Refer to Note 7 in the consolidated financial statements. On December 16, 2020, the Company acquired 100% interest in the businesses of Lawrence Park & Atkinson for consideration of $1,771,409. Pursuant to the Amended and restated share purchase agreement, part of the consideration comprising 3,750,000 stock options is payable subject to completion of certain milestones relating to the opening of new clinics and is required to be measured at fair value. Therefore, estimating the fair value of the purchase consideration payable is subject to significant management estimates and judgment, including the model used, probability of opening of clinics, risk free rate and volatility. This matter required significant audit attention during the engagement and accordingly we have identified this as a critical audit matter.	We responded to this matter by performing procedures in relation to the measurement of purchase consideration payable. Our audit work in relation to this included, but was not restricted to, the following: • We obtained forecasts prepared by management and assessed reasonableness of management's estimated probability of opening clinics over the milestone period stipulated in the agreement; • We involved our internal valuations specialists to evaluate whether the valuation model used by management is reasonable and to assist in verifying the reasonability of the volatility input used; and • We also performed sensitivity analyses on probability assumptions within the valuation model.
Impairment of goodwill and Intangible assets Refer to Note 12 to the consolidated financial statements. During 2019, the Company had recognized goodwill of $2,500,000 on acquisition of Sun Valley Certification Clinics Holdings, LLC. Additionally, on October 5, 2020, the Company acquired 100% interest in Kai Medical Laboratory, LLC and on December 31, 2020, the Company acquired 100% interest in Lawrence Park Health and Wellness Clinic Inc., 1100900 Canada Inc dba Atkinson, and Momentum Health Inc. collectively ("Lawrence Park & Atkinson") Any goodwill recognized from these acquisitions is subject to impairment assessments annually, or more frequently to the extent events or conditions indicate a risk of possible impairment. Significant judgments are made in determining the cash-generating unit to which such assets belong for purposes of the impairment tests. There exists high estimation uncertainty due to the significant judgments used to estimate the future revenues and cash flows, including growth rates, operating expenses, and cash outflows, weighted-average cost of capital, future market conditions and the valuation methodology. For these reasons we determined goodwill and intangible asset impairment assessments to be a critical audit matter.	We responded to this matter by performing procedures over the impairment of goodwill and intangibles. Our audit work in relation to this included, but was not restricted to, the following: • We obtained cash flow forecasts prepared by management and assessed critical management estimates included in the forecast, such as revenue growth, terminal growth rates, gross margin and discount rates. The net present value of the forecast cash flows was compared to the carrying value of the related cash generating unit; • We validated management's assessment of indicators of impairment for intangibles, including reference to historical performance, external market data, and assessment of the Company's future strategy and budgets; • We assessed the accuracy of management's historical forecasts and, where there were discrepancies, we evaluated the impact of these on the current year forecasts; • We involved our internal valuations specialists to estimate an appropriate discount rate with reference to market data and compared that to the rate used by management; • We evaluated the cash flow forecasts in detail, tracing to supporting documentation for the revenue figures, focusing on market assumptions, including discussions with the directors and the business unit head as well as assessment of supporting internal analysis; and • We applied sensitivities to calculations prepared by management to assess the impact on the impairment assessment of reasonable possible changes to assumptions.

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

We have served as the Company's auditor since 2015.

Ottawa, Canada

June 30, 2021

EMPOWER CLINICS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in United States dollars)

	Notes	**December 31, 2020 $**	December 31, 2019 $
ASSETS			
Current			
Cash		**4,889,824**	179,153
Accounts receivable	8	**264,866**	24,482
Prepaid expenses		**81,748**	38,382
Inventory		**17,681**	21,848
Total current assets		**5,254,119**	263,865
Promissory note	10	**-**	122,573
Property and equipment	11	**1,590,047**	797,423
Intangible assets	12	**303,907**	254,640
Goodwill	12	**2,082,146**	117,218
Total assets		**9,230,219**	1,555,719
LIABILITIES			
Current			
Accounts payable and accrued liabilities	13,25	**3,442,725**	1,874,990
Current portion of loans payable	16	**992,070**	761,711
Current portion of notes payable	14	**708,361**	969,891
Convertible debentures payable	17	**-**	427,320
Convertible notes payable	15	**200,530**	192,717
Current portion of lease liability	18	**241,138**	219,800
Current portion of warrant liability	19	**1,416,113**	-
Conversion feature	17	**-**	2,795
Total current liabilities		**7,000,937**	4,449,224
Loans payable	16	**1,140,157**	-
Lease Liability	18	**255,248**	515,096
Deferred revenue		**26,694**	-
Warrant liability	19	**6,297,584**	106,312
Total liabilities		**14,720,620**	5,070,632
SHAREHOLDERS' DEFICIENCY			
Issued capital	20(b)	**22,969,566**	7,827,310
Share subscriptions receivable	20(b)	**(745,531)**	-
Shares to be issued	14(d)	**60,287**	22,050
Contributed surplus		**2,223,269**	1,501,361
Warrant reserve		**80,638**	146,685
Deficit		**(30,078,630)**	(13,012,319)
Total shareholders' deficiency		**(5,490,401)**	(3,514,913)
Total liabilities and shareholders' deficiency		**9,230,219**	1,555,719

Nature of operations and going concern (note 1)
Commitments and contingencies (note 28)
Events after the reporting period (note 29)

Approved and authorized by the Board of Directors on June 30, 2021:

"Steven McAuley" Director   *"Yoshi Tyler"* Director

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

EMPOWER CLINICS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2020, 2019 and 2018
(in United States dollars)

	Notes	**2020** **$**	2019 $	2018 $
Revenues				
Clinic services		**3,154,301**	1,949,549	1,091,386
Product revenues		**54,895**	82,032	-
Total revenues		**3,209,196**	2,031,581	1,091,386
Direct clinic expenses excluding depreciation and amortization				
Cost of clinic services		**1,157,428**	793,374	417,047
Cost of product revenues		**36,132**	32,902	-
Total direct clinic expenses		**1,193,560**	826,276	417,047
		2,015,636	1,205,305	674,339
Operating expenses	21,26	**3,947,408**	2,933,619	2,517,681
Legal and professional fees		**1,394,571**	1,015,743	1,450,141
Depreciation and amortization expense	11,12	**381,492**	327,059	123,473
Impairment of intangible assets	12	**340,575**	93,757	64,200
Impairment of goodwill	12	**117,218**	2,377,397	-
Share-based payments	20(c),26	**323,799**	608,944	892,417
Loss from operations		**(4,489,427)**	(6,151,214)	(4,373,573)
Other expenses (income)				
Listing fee	4	**-**	-	1,308,808
Accretion expense	14,16,17	**327,301**	114,515	241,521
Interest expense	14-18	**212,110**	240,539	126,375
Issuance costs allocated to warrants accounted for as liabilities	20(b)	**44,947**	129,965	-
Interest income	10	**(7,573)**	(4,977)	-
Gain on debt settlement of accounts payable	13,20(b)	**-**	(15,130)	-
Gain on termination of leases	11	**(14,049)**	(76,717)	-
Impairment loss on write-off of property and equipment		**-**	196,352	-
Loss (gain) on change in fair value of warrant liability	19	**11,886,796**	(2,065,781)	(1,598,425)
Gain on change in fair value of conversion feature	17	**(2,795)**	(587,229)	(890,136)
Impairment of promissory note	10	**130,147**	-	-
Impairment of assets held for sale	9	**-**	-	57,072
Restructuring expense, net	22	**-**	88,808	110,424
Other expense (income), net		**-**	130,104	60,706
		12,576,884	(1,849,551)	(583,655)
Net loss and comprehensive loss for the year		**(17,066,311)**	(4,301,663)	(3,789,918)
Loss per share				
Basic		**(0.09)**	(0.04)	(0.06)
Diluted		**(0.09)**	(0.04)	(0.06)
Weighted average number of shares outstanding				
Basic		**182,331,616**	117,289,366	66,670,041
Diluted		**182,331,616**	117,289,366	66,670,041

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

EMPOWER CLINICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, 2019 and 2018
(in United States dollars)

	Notes	2020 $	2019 $	2018 $
Operating activities				
Net loss and comprehensive loss for the year		**(17,066,311)**	(4,301,663)	(3,789,918)
Items not involving cash:				
Depreciation and amortization expense	11,12	**381,492**	327,059	123,474
Share-based payments	20(c),26	**323,799**	608,944	892,417
Non-cashed listing fee		**-**	-	942,937
Accretion expense	14,16,17	**327,301**	114,515	241,521
Interest expense	14-18	**168,459**	240,539	125,904
Loss on disposal of property and equipment		**-**	196,352	-
Gain on termination of leases	11	**14,049**	(76,717)	-
(Gain) loss on change in fair value of warrant liability	19	**11,886,796**	(2,065,781)	(1,598,425)
Gain on change in fair value of conversion feature	17	**(2,795)**	(587,229)	(890,136)
Gain on debt settlement	20	**-**	(15,130)	-
Shares issued for compensation	20(b),26	**-**	304,721	477,180
Share issued for restructuring	20(b)	**-**	-	216,873
Shares issued for services	20(b),24	**547,641**	208,153	560,980
Vesting of escrow shares	20(b)	**193,025**	-	-
Impairment of intangible assets	12	**340,575**	93,757	64,200
Impairment of goodwill	12	**117,218**	2,377,397	-
Impairment of assets held for sale	9	**-**	-	57,072
Foreign exchange		**35,826**	-	-
Other		**(2,900)**	-	-
		(2,735,825)	(2,575,083)	(2,575,921)
Changes in working capital:				
Accounts receivable		**(239,070)**	(24,116)	847
Prepaid expenses		**(31,263)**	10,846	(5,463)
Inventory		**4,167**	(21,848)	-
Accounts payable and accrued liabilities		**1,225,479**	337,013	(255,173)
Deferred revenue		**26,694**	-	-
Net cash used in operating activities		**(1,749,818)**	(2,273,188)	(2,835,710)
Investing activities				
Investment in Kai Medical Laboratory LLC, net	6	**9,826**	-	-
Investment in LP&A, net	7	**(177,470)**	-	-
Purchase of property and equipment	11	**(3,495)**	-	-
Purchase of intangible assets	12	**(138,855)**	(3,828)	(100,227)
Investment in Sun Valley	5	**-**	(787,318)	-
Net cash used in investing activities		**(309,994)**	(791,146)	(100,227)
Financing activities				
Shares issued on private placement, net	20(b)	**1,879,632**	1,876,938	2,092,295
Proceeds from stock options exercised	20(c)	**58,662**	-	-
Proceeds from warrants exercised	20(d)	**5,313,064**	61,287	-
Advance of loans payable	16	**31,417**	-	(7,148)
Repayment of loans payable	16	**(44,379)**	-	-
Repayment of notes payable	14	**(197,862)**	-	-
Interest paid	14-18	**(43,651)**	-	-
Lease Payments	18	**(226,400)**	(203,712)	-
Repayment to related parties		**-**	(12,575)	(3,595)
Proceeds from issuance of notes payable	14	**-**	321,935	-
Cash acquired in acquisition	5	**-**	94,090	-
Cash acquired in the Transaction	4	**-**	-	13,000
Proceeds from share subscriptions		**-**	-	61,167
Proceeds from the issuance of convertible debentures	17	**-**	753,491	442,437
Proceeds on sale of assets held for sale	9	**-**	5,472	-
Proceeds from issuance of convertible notes payable	15	**-**	188,893	495,449
Net cash provided by financing activities		**6,770,483**	3,085,819	3,093,605
Increase in cash		**4,710,671**	21,485	157,668
Cash, beginning of year		**179,153**	157,668	-
Cash, end of year		**4,889,824**	179,153	157,668

Supplemental disclosure with respect to cash flows (note 24)

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

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020, 2019 and 2018
(in United States dollars, except share numbers)

	Note	Number **#**	Issued capital **$**	Shares to be issued **$**	Warrant reserve **$**	Contributed surplus **$**	Equity component of convertible debentures **$**	Deficit **$**	Total **$**
Balance, December 31, 2017		48,337,225	550,744	-	-	-	222,417	(5,580,023)	(4,806,862)
Shares issued - Transaction consideration	4,20(b)	2,544,075	614,415	-	-	-	-	-	614,415
Shares issued for cash	20(b)	8,756,376	2,092,295	-	80,280	-	-	-	2,172,575
Shares issued for conversion of debentures	20(b)	11,796,046	1,010,363	-	-	-	(222,417)	-	787,946
Shares issued on conversion of notes payable	20(b)	785,949	157,079	-	-	-	-	-	157,079
Shares issued to former CEO	20(b)	2,000,000	477,180	-	-	-	-	-	477,180
Shares issued for restructuring	20(b)	1,204,851	216,873	-	-	-	-	-	216,873
Shares issued for services	20(b)	2,423,076	282,075	-	-	-	-	-	282,075
Share-based payments	20(c)	-	-	-	-	892,417	-	-	892,417
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(3,789,918)	(3,789,918)
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	3	-	-	-	-		-	(9,951)	(9,951)
Adjusted balance, January 1, 2019		77,847,598	5,401,024	-	80,280	892,417	-	(9,379,892)	(3,006,171)
Shares issued for Sun Valley acquisition	5,20(b)	22,409,425	2,143,566	-	-	-	-	-	2,143,566
Shares issued on private placement, net	20(b)	24,452,500	52,487	-	66,405	-	-	-	118,892
Shares issued for conversion of notes payable	20(b)	2,500,000	7,254	-	-	-	-	-	7,254
Shares issued for conversion of debentures	20(b)	3,991,524	55,997	-	-	-	-	-	55,997
Shares issued for compensation	20(b)	7,400,000	304,721	-	-	-	-	-	304,721
Shares issued for services	20(b)	1,500,000	257,041	-	-	-	-	-	257,041
Shares for debt settlement	20(b)	1,686,861	208,153	-	-	-	-	-	208,153
Shares cancelled	20(b)	(4,657,553)	(669,236)	-	-	-	-	669,236	-
Shares cancelled and to be reissued	20(b)	-	(15,239)	15,239		-	-		-
Shares issued for exercise of warrants	20(b)	431,075	61,287	-	-	-	-	-	61,287
Shares issued to agents	20(b)	136,000	20,255	-	-	-	-	-	20,255
Shares to be issued for note payable	20(b)	-	-	6,811	-	-	-	-	6,811
Share based payments	20(c)	-	-	-	-	608,944	-	-	608,944
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(4,301,663)	(4,301,663)
Balance, December 31, 2019		**137,697,430**	**7,827,310**	**22,050**	**146,685**	**1,501,361**	**-**	**(13,012,319)**	**(3,514,913)**

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

EMPOWER CLINICS INC.
(Formerly Adira Energy Ltd.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020, 2019 and 2018
(in United States dollars, except share numbers)

	Note	Number \#	Issued capital $	Share subscriptions receivable $	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	6,20(b)	651,875	15,239	-	(15,239)	-	-	-	-
Shares issued on private placement, net	20(b)	55,309,465	921,138	-	-	49,782	-	-	970,920
Shares issued on debt settlement	11,20(b)	5,841,586	219,150	-	-	-	-	-	219,150
Vesting of escrow shares	14,20(b)	-	193,025	-	-	-	-	-	193,025
Shares issued for services	20(b),23	9,500,000	487,354	-	60,287	-	-	-	547,641
Shares issued on conversion of debentures	20(b)	11,659,984	621,353	-	-	-	-	-	621,353
Obligation to issue shares	20(b)	150,000	6,811	-	(6,811)	-	-	-	-
Exercise of Options	10,20(b)	7,583,333	840,499	(745,531)	-	-	(36,306)	-	58,662
Exercise of Warrants	20(b),26	50,290,026	10,689,762	-	-	(35,549)	-	-	10,654,213
Lawrence Park & Atkinson acquisition	16,20(b)	5,128,204	1,147,925	-	-	-	344,110	-	1,492,035
Kai Medical acquisition	14,20(b)	-	-	-	-	-	10,025	-	10,025
Share issue costs	11,20(b)	-	-	-	-	-	-	-	-
Reclassification of expired warrants	11,20(b)	-	-	-	-	(80,280)	80,280	-	-
Share based payments		-	-	-	-	-	323,799	-	323,799
Net loss and comprehensive loss for the year	20(b)	-	-	-	-	-	-	(17,066,311)	(17,066,311)
Balance, December 31, 2020		**283,811,903**	**22,969,566**	**(745,531)**	**60,287**	**80,638**	**2,223,269**	**(30,078,630)**	**(5,490,401)**

The accompanying notes are an integral part of these 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, developer of medical products, and provides laboratory testing services 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 5). On October 5, 2020 and December 31, 2020, respectively, the Company acquired all of the outstanding membership interest of Kai Medical Laboratory, LLC (note 6) and Lawrence Park Health and Wellness Clinic Inc. and 11000900 Canada Inc. (note 7).

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.

COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic. During the remainder of March 2020 and through to December 31, 2020, the COVID-19 pandemic has negatively impacted global economic and financial markets. Most industries have been impacted by the COVID-19 pandemic and are facing operating challenges associated with the regulations and guidelines resulting from efforts to contain it.

As a direct result of the COVID-19 pandemic, the Company realized significant increases in patient visits and testing, which resulted in increased revenues and operating expenses. The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation, and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world including in jurisdictions where the Company operates may also have potentially significant economic and social impacts. If the Company’s business operations are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Company’s business, results of operations and financial performance. Factors that may be impacted, among other things, are the Company’s operating plan, supply chain and workforce. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company’s business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

Going concern

These consolidated financial statements have ben prepared on the assumption that the Company will be able to continue operating as a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Company has a history of losses and negative cash flows from operating activities, and as at December 31, 2020, the Company had a working capital deficiency of $1,746,818 (December 31, 2019 - $4,185,359) and an accumulated deficit of $30,078,630 (December 31, 2019 - $13,012,319). These circumstances represent a material uncertainty that cast substantial doubt on the Company’s ability to continue as a going concern and ultimately the appropriateness of the use of going concern assumption.

Subsequent to December 31, 2020, warrant and option exercises resulted in cash proceeds of $5,865,335 which the Company plans to use to support its working capital requirements, allowing it to operate without an immediate requirement to access new capital. The Company anticipates that it will continue to actively pursue growth opportunities through acquisitions, the expansion of clinic locations and through new product development in order to drive revenue and generate positive cash flows from operations. The ability of the Company to continue operating as a going concern is dependent on its ability to raise sufficient additional funds to finance development activities and/or its ability to achieve profitable operations and positive cash flows from operations. There is no certainty management’s plans described above will be successful or that sufficient financing will be available on terms acceptable to the Company.

(in United States dollars, except where noted)

These financial statements do not reflect adjustments (if any) to the recorded amounts and classification of assets and liabilities, which could be necessary if the use of the going concern assumption is ultimately determined to be inappropriate. Such adjustments, if any, could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for all periods presented. These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 30, 2021.

b) Basis of presentation

The consolidated 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

The consolidated 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, except for Lawrence Park Health and Wellness Clinic Inc. and 11000900 Canada Inc. for which Canadian dollars is the functional currency. References to C$ are to Canadian dollars.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. 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 consolidated financial statements from the date control commences until the date control ceases. These consolidated 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
Kai Medical Laboratory, LLC (4)	USA	100%	USD	Clinic operations
Lawrence Park Health and Wellness Clinic Inc. (5)	Canada	100%	CAD	Clinic operations
11000900 Canada Inc. (5)	Canada	100%	CAD	Clinic operations

(1) These companies were inactive during the years ended December 31, 2020 and 2019
(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) Acquired on October 5, 2020 (note 6)
(5) Acquired on December 31, 2020 (note 7)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Critical accounting judgments and estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements and estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

These critical judgements and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant judgements and estimates and related assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. *Functional currency*

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment. Note 2(c) contains the Company's assessment of the functional currency of each subsidiary.

ii. *Assessment of Cash Generating Units*

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The Company applies judgement in assessing the smallest group of assets that comprise a single CGU.

iii. *Assessment of useful lives of property and equipment and intangible assets*

Management reviews its estimate of the useful lives of property and equipment and intangible assets annually and accounts for any changes in estimates prospectively. The Company applied judgment in determining the useful lives of trademarks and patient records with less than an indefinite life. In addition, the Company applied judgment in determining the useful lives of the right-of-use assets and leasehold improvements for purposes of assessing the shorter of the useful life or lease term.

iv. *Assessment of indicators of impairment*

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired, thereby requiring adjustment to the carrying value.

v. *Revenue recognition*

a. Determination of performance obligations

The Company applied judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of the medical services or sale of product, each representing a single performance obligation with consideration allocated accordingly.

b. Transfer of control

Judgement is required to determine when transfer of control occurs relating to the medical services to its customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, whether delivery of medical services has occurred and whether the physical possession of the goods, significant risks and rewards and/or legal title have been transferred to the customer.

vi. ***Expected credit losses***

In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit losses, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

vii. ***Current and deferred taxes***

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on expected patient visits in future periods, which are internally developed and reviewed by management.

Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

viii. ***Equity-settled share-based payments***

Share-based payments are measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to the consolidated statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

ix. ***Warrant liability and conversion feature***

Warrant liability and conversion features are measured at fair value using the Black-Scholes option pricing model based on estimated fair values at the date of grant and revalued at period end with changes in fair value being charged or credited to the consolidated statement of loss and comprehensive loss. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

x. ***Contingencies***

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time. In the event that management's estimate of the future resolution of these matters' changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

xi. *Leases*

a. Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, whether the Company obtains substantially all of the economic benefits and who has the right to direct the use of that asset.

b. Incremental borrowing rate

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statement of loss and comprehensive loss.

c. Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term or the life of the leased asset. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

xii. *Business combinations*

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values, including the total consideration paid by the Company. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities including assessing the fair value of any favourable or unfavorable lease terms. For any intangible asset identified or form of consideration paid by the Company, depending on the type of intangible asset or consideration paid and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Additionally, as part of a business combination, all forms of consideration paid (on the date of acquisition or contingent upon achieving certain milestones) are recorded at their fair values, which is a significant estimate. For any form of consideration paid by the Company, depending on the type of consideration paid and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the asset concerned and any changes in the discount rate applied. In the event that there is contingent consideration in an acquisition management makes assumptions as to the probability of the consideration being paid.

b) Foreign currency translation

Transactions in foreign currencies are initially recorded by the Company's subsidiaries at their respective functional currency spot rates at the date the transaction is recognized. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at reporting period ends. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income ("OCI") or profit or loss are also recognized in OCI or profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate prevailing during each reporting period. Equity balances are translated at historical exchange rates prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

c) Cash

Cash consists of cash at banks and on hand.

d) Inventory

Inventories are valued initially at cost and subsequently at the lower of cost and net realizable value. All direct and indirect costs related to inventory are capitalized as they are incurred.

Net realizable value is determined as the estimated selling price in the ordinary course of business. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value. Inventory consists of consumable laboratory supplies used in testing.

e) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated site reclamation and closure costs associated with removing the asset, and, where applicable, borrowing costs.

Upon sale or abandonment of any equipment, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in profit or loss for the period. When the parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of replacing or overhauling a component of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Maintenance and repairs of a routine nature are charged to statement of loss or comprehensive loss as incurred.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in the consolidated statement of loss and comprehensive loss.

f) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing the intangible asset to the condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs.

Upon sale or abandonment of any intangible asset, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in the statement of loss or comprehensive loss for the period.

g) Depreciation and amortization

Depreciation and amortization is provided using the straight-line basis over the following terms:

Furniture and equipment	3 - 5 years
Leasehold improvements	5 years
Right-of-use assets	Term of the lease
Medical lab equipment (testing)	12 years

h) Impairment

Long lived assets (property and equipment, intangibles, goodwill) are reviewed for impairment at each reporting period end or whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

i) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured as the lower of their carrying amount and fair value less costs to sell.

j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

a. by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and,
b. as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to the consolidated statement of loss and comprehensive loss.

k) Convertible debentures

The convertible debentures were determined to be compound instruments, comprising a financial liability (debt obligation) and derivative liability component (conversion option). As the debentures are convertible into units, each comprising a common share and a warrant, the debt and conversion feature are presented separately. The conversion option is classified as a derivative liability under the principles of IFRS 9 - *Financial Instruments*. As the exercise price of the convertible debenture is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the conversion option is considered a derivative liability in accordance with IAS 32 - *Financial Instruments: Presentation* as a variable amount of cash in the Company's functional currency will be received upon exercise.

The conversion option is recognized at fair value using the Black-Scholes option pricing model and the listed trading price at the date of issue. The conversion option is initially recorded as a liability at fair value with any subsequent changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Using the residual method, the carrying amount of the financial liability component is the difference between the principal amount and the initial carrying value of the conversion option. The debentures, net of the derivative lability component, are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

Upon conversion, the conversion option is revalued at the date of exercise of the conversion feature and the total fair value of the conversion option and the carrying value of the debt is allocated between the warranty liability and equity.

During the year ended December 31, 2020, all convertible debentures were converted into share capital.

l) Share-based payments

Certain employees and directors of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options, determined at the date of the grant, is charged to the consolidated statement of loss and comprehensive loss, with an offsetting credit to contributed surplus, over the vesting period. If and when the share options are exercised, the applicable original amounts of contributed surplus are transferred to issued capital.

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model.

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry to contributed surplus.

Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from contributed surplus and credited to the consolidated statement of loss and comprehensive loss. For those share options that expire unexercised after vesting, the recorded value remains in contributed surplus.

m) Share purchase warrants

Share purchase warrants are classified as a derivative liability under the principles of IFRS 9 - *Financial Instruments*. As the exercise price of the share purchase warrant is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the share purchase warrants are considered a derivative liability in accordance with IAS 32 - *Financial Instruments: Presentation* as a variable amount of cash in the Company's functional currency will be received upon exercise.

These types of share purchase warrants are recognized at fair value using the Black-Scholes option pricing model. Share purchase warrants are initially recorded as a liability at fair value with any subsequent changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Upon exercise of the share purchase warrants with exercise prices in a currency other than the Company's functional currency, the share purchase warrants are revalued at the date of exercise with any gain or loss being charged to the consolidated statement of loss and comprehensive loss, and the total fair value of the exercised share purchase warrants is reallocated to equity. The proceeds generated from the payment of the exercise price are also allocated to equity.

n) Issued capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at their fair value based upon the trading price of the Company's shares on the Canadian Securities Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants as follows: the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model and the residual, if any is allocated to issued capital.

o) Shares held in escrow

The Company has issued common shares held in escrow as a part of a compensation arrangement. The fair value of the escrowed shares is recognized into profit and loss with a corresponding increase to capital as the common shares vest.

The Company has issued common shares held in escrow as a part of the Sun Valley acquisition. The fair value of the escrowed shares is recognized as consideration.

p) Financial assets

<u>Classification of financial assets</u>

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Financial assets valued at amortized cost are cash and accounts receivable.
Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to the consolidated statement of loss and comprehensive loss on disposal of the equity instrument, instead, it is transferred to deficit.

The Company does not currently hold any equity instruments designated as FVTOCI.

Financial assets measured subsequently at fair value through profit or loss:

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized on the consolidated statement of loss and comprehensive loss to the extent they are not part of a designated hedging relationship.

The Company currently has no financial assets valued at FVTL.

q) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized on the consolidated statement of loss and comprehensive loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method. The Company’s financial liabilities measured at amortized cost are accounts payable and accrued liabilities, notes payable, convertible debentures payable, lease liability, loans payable and convertible notes payable. The Company measures the warrant liability at FVTPL.

i. *Financial instruments designated as hedging instruments*

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

ii. *Impairment of financial assets*

The expected loss model (“ECL”) applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. The ECL model applies to the Company’s promissory note receivable (Note 6).

To assess credit losses, the Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk;
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low; or
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

r) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists such as an increase in operating costs or a decrease in the number of patient visits, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use. Fair value is determined with reference to discounted estimated future cash flow analysis or to recent transactions involving dispositions of similar properties. In assessing value in use, the estimated future cash flows are discounted to their present value.

The pre-tax discount rate applied to the estimated future cash flows measured on a value in use basis reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as a charge to the consolidated statement of loss and comprehensive loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Where an impairment, other than goodwill impairment, subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and/or amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of loss and comprehensive loss. Goodwill impairment losses are not reversed.

s) Taxes

Current tax expense

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the period.

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax expense

Deferred tax is accounted for using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax losses and tax credits, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantially enacted at the reporting date. Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of loss and comprehensive loss.

t) Earnings (loss) per share

Basic earnings (loss) per share (“EPS”) is calculated by dividing the net earnings (loss) of the Company by the basic weighted average number of common shares outstanding during the period.

For purposes of calculating diluted EPS, the proceeds from the potential exercise of dilutive share options and share purchase warrants with exercise prices that are below the average market price of the underlying shares for the reporting period are assumed to be used in purchasing the Company’s common shares at their average market price for the period.

Share options and share purchase warrants are included in the calculation of diluted EPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such inclusion would be anti-dilutive.

u) Revenue recognition

Revenue is recognized in accordance with IFRS 15, Revenue, when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized: (1) Identify the contract with the customer; (2) Identify the performance obligation in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation in the contract; and (5) Recognize revenue when or as the Company satisfies a performance obligation.

The Company recognizes revenue when delivery of medical services has occurred and when the physical possession of the goods and significant risks and rewards and legal title have been transferred to the customer. The Company recognizes revenue from the rendering of patient services in the accounting period in which the physician’s services are rendered and recognizes revenue from the sale of goods when physical possession of the goods has transferred to the customer.

Revenues are recorded net of discounts provided to patients.

v) Related party transactions

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

(in United States dollars, except where noted)

4. REVERSE TAKEOVER

On April 23, 2018, S.M.A.A.R.T Holdings Inc ("SMAART") completed the merger with Adira Energy Ltd. ("Adira"), pursuant to which SMAART amalgamated with 1149770 B.C. Ltd., a wholly-owned subsidiary of Adira, resulting in the indirect acquisition by SMAART of all of the issued and outstanding securities of Adira (the "Transaction"). This resulted in a reverse takeover of Adira by the shareholders of SMAART.

In connection with the Transaction completed on April 16, 2018, the Company changed its name from "Adira Energy Ltd." to "Empower Clinics Inc." and consolidated its existing common shares on the basis of one common share for each 6.726254 existing common shares of the Company.

At the time of the Transaction, Adira did not constitute a business as defined under IFRS 3; therefore, the Transaction was accounted for under IFRS 2, where the difference between the consideration given to acquire Adira and the net asset value of Adira was recorded in the consolidated statement of loss and comprehensive loss as a listing fee expense. As Empower Healthcare Corporation was deemed to be the acquirer for accounting purposes, these consolidated financial statements present the historical financial information of Adira up to the date of the Transaction.

Consideration	**$**
Consideration – shares	614,415
Legal and professional fees relating to the Transaction	365,871
Net liabilities acquired	328,522
Listing fee	**1,308,808**

Fair value of the net assets (liabilities) of Adira	
Cash	13,000
Accounts payable and accrued liabilities	(341,522)
	(328,522)

The fair value of 2,544,075 issued common shares of the Company was estimated using $0.24 (C$0.31) per share.

5. 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.

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.

(in United States dollars, except where noted)

The following table summarizes the final purchase price allocation:

Assets Acquired	**$**
Cash and cash equivalents	94,090
Accounts receivable	366
Total current assets	94,456
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 liability	150,342
Total current liabilities	185,623
Lease liability	281,202
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	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.

As required under IFRS, the Company assessed goodwill for impairment at December 31, 2020 and concluded that the recoverable value of the Sun Valley CGU as a whole (comprising of multiple locations) was less than its carrying value and an impairment loss of $117,218 (December 31, 2019 – $2,377,397) was recognized on goodwill.

6. ACQUISITION OF KAI MEDICAL

On October 5, 2020, the Company acquired 100% of the membership interest of Kai Medical Laboratory, LLC (“Kai Medical”), for consideration with a fair value of $20,050 comprised of 500,000 stock options with a fair value of $10,025 and 500,000 warrants with a fair value of $10,025. The options and warrants are exercisable at a price of $0.04 (C$0.05) and expire on October 5, 2023. The options and warrants were valued using a Black-Scholes option pricing model with the following assumptions: three year expected life, risk free rate of 0.23%, share price of $0.03 (C$0.04) and volatility of 119.32%.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations.

KAI Medical Laboratory operates a high-complexity CLIA and COLA accredited laboratory that provides reliable and accurate testing solutions to hospitals, medical clinics, pharmacies, and employer groups.

(in United States dollars, except where noted)

The following table summarizes the final purchase price allocation:

Assets Acquired	**$**
Cash	9,826
Accounts receivable	1,314
Prepaid	8,002
Property and equipment	1,422,819
Intangible asset	245,000
	1,686,961
Liabilities Assumed	
Accounts payable and accrued liabilities	406,528
Loan payable	1,139,577
Lease liability	294,669
Disaster loan	59,846
PPP loan	77,028
Net assets at fair value, as at October 5, 2020	**(290,687)**
Consideration	
Fair value of 500,000 stock options issued	10,025
Fair value of 500,000 warrants issued	10,025
Total Consideration	**20,050**
Goodwill	**310,737**

Accounts receivable had a fair value of $1,314 while gross contractual accounts receivable were $32,448 at the date of acquisition.

Property and equipment acquired included $294,669 of right-of-use assets.

The intangible asset is comprised of the laboratory certification license which was valued at replacement cost which approximates the costs incurred by Kai Medical to acquire the laboratory certification license.

The loan payable had a principal balance of $1,139,577, accrues interest at the prime rate plus 2% and matures on June 7, 2028. The prime rate as at October 5, 2020 was 3.25%. The loan payable's fair value was determined to be equal to its carrying value as the loan is collateralized, the borrower did not breach any of the default provisions, and the lender is an unrelated third party.

The disaster loan had a principal balance of $150,000, accrues interest at 3.75% per annum and matures on June 24, 2040. The disaster loan was fair valued at $59,846 using a discount rate of 13.83%.

The PPP loan had a principal balance of $89,379, accrues interest at 1.00% per annum and matures on April 30, 2022. The PPP loan was fair valued at $77,028 using a discount rate of 16.63%.

The lease liability represents four leases with a fair value of $294,669 on the date of acquisition, which is the net present value of the minimum future lease payments determined using the following assumptions:

	Lease 1	**Lease 2**	**Lease 3**	**Lease 4**
Remaining term (months)	20	5	55	55
Monthly payments	$3,050 to $3,250	$2,850	$2,554	$2,041
Incremental borrowing rate	5.5%	5.5%	5.5%	5.5%
Fair value on acquisition	$60,145	$14,039	$122,536	$97,949

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition.

The results of operations are included in the Company's consolidated loss and comprehensive loss for the period since the acquisition date. From the closing date of the acquisition on October 5, 2020 to December 31, 2020, Kai Medical contributed revenues of $653,124 and net income of $140,048 to the Company's results. If the acquisition occurred on January 1, 2020, management estimates that revenue would have increased by $608,710 and net loss would have been increased by approximately $403,288, respectively.

(in United States dollars, except where noted)

7. ACQUISITION OF LAWRENCE PARK & ATKINSON

On December 31, 2020, the Company acquired 100% ownership of Lawrence Park Health and Wellness Clinic Inc. ("Lawrence Park") and 11000900 Canada Inc. ("Atkinson", together "Lawrence Park & Atkinson" or "LP&A"). Lawrence Park & Atkinson operate para-medical clinics in the Greater Toronto Area of Ontario, Canada. The acquisition of these entities is considered one combined acquisition as the businesses carry on similar activities in Canada and are evaluated together as one business by management, so are considered one CGU from the Company's perspective.

Consideration in the transaction had a fair value of $1,766,933 comprised of cash consideration of $215,991, cash payable of $58,907, up to 3,750,000 stock options with a fair value of $344,110 and share consideration with a fair value of $1,147,925. Share consideration consisted of the issuance of 2,564,102 common shares of the Company with a fair value of $0.2238 (C$0.2850) based on the stock price on December 31, 2020 and 2,564,102 common shares of the Company subject to voluntary trading restrictions imposed by a contract (and therefore no discount for lack of marketability) lasting through December 31, 2022 and having an average fair value of $0.2238 (C$0.2850) per share, which have the following escrow condition: 320,513 common shares to be released every three months commencing on March 31, 2021.

Pursuant to the terms of the acquisition of LP&A, the 3,750,000 stock options are subject to the following milestone issuance schedule:

- Milestone 1 - 1/3 exercisable after 10 new clinics are opened within 18 months of the acquisition date
- Milestone 2 - 1/3 exercisable after an additional 10 new clinics are opened
- Milestone 3 - 1/3 exercisable after a further additional 10 new clinics are opened

The stock options will have a term of five years commencing on the date of issuance and become exercisable at a price equal to the greater of (a) the volume weighted average trading price ("VWAP") for the 10 trading days prior to the achievement of Milestone 1, and (b) the greater of the closing market prices of the Empower shares on (i) the trading day prior to the date of grant of the stock options; and (ii) in the event that the shares are not publicly traded, the fair value determined by an independent appraiser. The Company used the Black-Scholes option pricing model to determine the $344,110 fair value of the stock options with the following assumptions:

	Milestone 1	Milestone 2	Milestone 3
Milestone date	June 30, 2022	December 31, 2023	June 30, 2025
Years to maturity	4.00	4.75	5.50
Risk-free rate	0.190%	0.250%	0.480%
Exercise price	C$0.2850	C$0.2850	C$0.2850
Share price	C$0.2850	C$0.2850	C$0.2850
Volatility	108.1%	108.1%	108.1%
Fair value per option	**C$0.2056**	**C$0.2173**	**C$0.2273**
Probability	90%	50%	25%
Fair value per option tranche (1)	**$181,634 (C$231,256)**	**$106,679 (C$135,824)**	**$55,797 (C$71,041)**

(1) Canadian dollar amount translated using December 31, 2020 foreign exchange rate of 0.7854

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations.

(in United States dollars, except where noted)

The following table summarizes the final purchase price allocation:

Assets Acquired	**$**
Cash and cash equivalents	38,521
Deposit	4,103
Intangible assets	58,907
Right-of-use assets	39,271
	140,802
Liabilities Assumed	
Accounts payable and accrued liabilities	54,396
Lease liability	45,595
Loans payable	45,287
Net assets at fair value, as at December 31, 2020	**(4,476)**
Consideration	
Cash consideration	215,991
Cash consideration - withheld	58,907
Stock options	344,110
Share consideration	1,147,925
Total Consideration	**1,766,933**
Goodwill	**1,771,409**

The intangible assets are comprised of the trade name with a fair value of $43,198 and customer relationships with a fair value of $15,709. The fair value of the trade name was determined using the relief from royalty method and the fair value of the customer relationships was determined using a discounted cash flow analysis. The key assumptions used in the cash flow projection related to the trade name include: (1) a discount rate of 20.5%; (2) revenue growth rates of 3.1% - 35%; (3) royalty rate of 1%; (4) discount rate of 20.5% and (5) terminal revenue growth of 2% per year. The key assumptions used in the cash flow projection related to the customer relationships include (1) customer growth rate of 2%; (2) customer retention rates of 55% and discount rate of 22.5%.

The lease liability represents one lease with a fair value of $45,595 on the date of acquisition, which is the net present value of the minimum future lease payments determined using the following assumptions: (1) remaining number of payments – 13; (2) rent payment - $3,631; and (3) incremental borrowing rate – 4.04%.

The loans payable balance at acquisition consists of two CEBA loans with a two-year term to maturity that have a fair value of $45,287. The fair value was determine using a discounted cash flow analysis with a a discount rate of 10.2%.

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition.

If the acquisition occurred on January 1, 2020, management estimates that revenue would have increased by $501,745 and net loss would have been decreased by approximately $8,807, respectively.

8. ACCOUNTS RECEIVABLE

The Company had the following in accounts receivable at December 31, 2020 and December 31, 2019:

	December 31, 2020 $	December 31, 2019 $
Trade receivables, net	**245,891**	24,482
GST receivable	**18,975**	-
	264,866	24,482

The Company estimates a provision for lifetime expected credit losses for receivables aged greater than 91 days. As at December 31, 2020, the Company had $nil (2019 - $nil) recorded as a provision for expected credit losses.

(in United States dollars, except where noted)

9. ASSETS HELD FOR SALE

During the year ended December 31, 2018, the Company had listed its facility and land in Portland, Oregon for sale. Prior to their classification as assets held for sale, the facility and land in Portland were reported under property and equipment (note 11). The assets held for sale were recorded at the lower of their carrying value and their fair value. The fair value was based on a sales agreement dated January 17, 2019, whereby the Company would receive net proceeds of $127,972 after selling costs. During the year ended December 31, 2018, the Company recorded an impairment loss of $57,072 to reduce the asset's carrying value to its fair market value.

During the year ended December 31, 2019, the sales agreement dated January 17, 2019, was executed and the facility and land were sold. There was no gain or loss recorded on the sale as the Company received proceeds of $127,972 in the form of a promissory note for $122,500 (note 10) and cash of $5,472.

10. PROMISSORY NOTE

On January 11, 2019, in connection with the sale of facility and land, the Company acquired a promissory note in the amount of $122,500 (note 9). The promissory note accrued interest at a rate of 6% per annum and was due in full on February 1, 2021. Interest income in the amount of $7,573 was accrued for the year ended December 31, 2020 (December 31, 2019 - $4,977). Subsequent to the sale of the facility and land, the purchaser became aware of a lien placed on the facility and land by the Internal Revenue Service related to taxes owing. The Company has accrued the full amount of taxes owing which is included in accounts payable and accrued liabilities. Given the uncertainty surrounding removal of the lien, management has determined that the promissory note and accrued interest income were impaired and were both written off to $nil.

11. PROPERTY AND EQUIPMENT

A continuity of property and equipment for the years ended December 31, 2020 and 2019 is as follows:

	Right-of-use assets $	Furniture and equipment $	Leasehold improvements $	Testing equipment $	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	425,539	3,828	-	-	429,367
Impairment	(324,972)	(28,360)	(118,466)		(471,798)
Balance, December 31, 2019	857,083	36,780	91,858	-	985,721
Acquisition of Kai Medical	294,669	114,000	86,000	928,149	1,422,818
Acquisition of LP&A	39,271	-	-	-	39,271
Additions	-	3,495	-	-	3,495
Disposals	(402,533)	-	-	-	(402,533)
Balance, December 31, 2020	**788,490**	**154,275**	**177,858**	**928,149**	**2,048,772**
Accumulated amortization					
Balance, December 31, 2018	-	(19,765)	-	-	(19,765)
Adoption of IFRS 16	(196,479)	-	-	-	(196,479)
Amortization	(196,563)	(13,164)	(37,873)	-	(247,600)
Write off	245,847	25,750	3,949	-	275,546
Balance, December 31, 2019	(147,195)	(7,179)	(33,924)	-	(188,298)
Amortization	(222,910)	(35,776)	(40,881)	(29,005)	(328,572)
Disposals	58,145	-	-	-	58,145
Balance, December 31, 2020	**(311,960)**	**(42,955)**	**(74,805)**	**(29,005)**	**(458,725)**
Carrying amount					
Balance, December 31, 2019	709,888	29,601	57,934	-	797,423
Balance, December 31, 2020	**476,530**	**111,320**	**103,053**	**899,144**	**1,590,047**

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.

(in United States dollars, except where noted)

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 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 property and equipment on the consolidated statements of loss and comprehensive loss.

The Company defaulted on the Spokane lease and as a result, 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 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.

Through the acquisition of Kai Medical on October 5, 2020, the Company acquired testing equipment with a fair value of $829,803 and right-of-use assets of $294,669. The right-of-use assets relate to leased office space and equipment.

The Company defaulted on the right-of-use CBD extraction facility and as a result, derecognized the right of use asset with a cost of $402,533 and accumulated depreciation of $58,145. The Company recognized a gain on lease termination of $14,049. The Company still has $15,533 in lease liabilities related to unpaid rent for three months where the Company still had possession of the facility.

12. INTANGIBLE ASSETS AND GOODWILL

A continuity of intangible assets for the years ended December 31, 2020 and 2019 is as follows:

	Patient records $	Brands, trademarks, licenses and domain names $	Management software $	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	-	-	-	138,855	138,855
Acquisition of Kai Medical	-	245,000	-	-	245,000
Acquisition of LP&A	58,907	-	-	-	58,907
Impairment	(69,724)	(131,996)	-	(138,855)	(340,575)
Balance, December 31, 2020	**378,763**	**376,699**	**51,100**	**-**	**806,562**
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	(52,920)	-	-	-	(52,920)
Balance, December 31, 2020	**(352,855)**	**(98,700)**	**(51,100)**	**-**	**(502,655)**
Carrying amount					
Balance, December 31, 2019	89,645	164,995	-	-	254,640
Balance, December 31, 2020	**25,908**	**277,999**	**-**	**-**	**303,907**

During the year ended December 31, 2020, the Company recognized an impairment loss of $340,575 in relation to patient records, brand and software (December 31, 2019 - $93,757).

(in United States dollars, except where noted)

A continuity of goodwill for the years ended December 31, 2020 and 2019, follows:

	Total $
Balance, December 31, 2018	-
Additions	2,494,615
Impairment	(2,377,397)
Balance, December 31, 2019	117,218
Additions	2,082,146
Impairment	(117,218)
Balance, December 31, 2020	**2,082,146**

At December 31, 2020, the Company assessed the goodwill recorded through the Sun Valley acquisition for impairment and found that the entire amount was impaired resulting in an impairment loss of $117,218 (December 31, 2019 - $2,377,397). The Company assessed intangible patient records and brand for impairment and found them to be fully impaired resulting in an impairment loss of $340,575 (December 31, 2019 - $93,757). The impairment losses pertaining to the Sun Valley goodwill and intangible assets related to a change in expected future cash flows for the CGU as a result of: 1) 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, and 2) the negative impact of legalization of the passage of the Arizona Marijuana Legalization Initiative on November 3, 2020, which legalized the possession and use of recreational marijuana for adults (age 21 years or older). In addition, the legalization 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. This legalization in Arizona has had a material adverse effect on the Company’s operations within the state.

The impairment was determined based on value in use calculation which uses cash flow projections covering a five-year period and a discount rate of 6% per annum. The cash flows beyond the five-year period have been extrapolated using a terminal growth rate of 1.5% per annum. Key assumptions used in the cash flow projection related to attrition of 59%. The new patient attraction rate was estimated to be 68% as of acquisition date and 24% post legalization.

At December 31, 2020, the Company assessed the goodwill recorded through the Kai acquisition for impairment. The Company performed a discounted cash flow analysis to determine Kai’s value in use, which incorporated the following assumptions: (1) discount rate - 17%; (2) income tax rate - 27%; (3) terminal growth rate - 2%; (4) working capital - 8% of sales. The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required as at December 31, 2020.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020 **$**	December 31, 2019 $
Trade payables and accrued liabilities	**1,920,840**	1,337,253
Payroll liabilities	**1,521,885**	537,737
	3,442,725	1,874,990

Included in trade accounts payable and accrued liabilities is $157,055 due to the CEO in connection with expenses incurred in the normal course of business and deferred payroll and $53,914 due to significant shareholders in connection with the acquisition of Sun Valley.

(in United States dollars, except where noted)

14. NOTES PAYABLE

	2020	2019	2018
	$	$	$
Balance, beginning of period	**969,891**	760,715	404,370
Issue of notes payable (a)(c)(d)	**-**	321,935	495,449
Settled in shares (b)(c)(d)	**(148,745)**	(186,942)	(167,000)
Repayment	**(197,862)**	-	-
Realized foreign exchange loss (gain)	**4,918**	(2,267)	-
Unrealized foreign exchange loss (gain)	**6,304**	(9,171)	-
Accretion expense	**13,110**	12,337	-
Interest expense	**60,745**	73,284	27,896
Balance, end of period	**708,361**	969,891	760,715
Less: Current portion of notes payable	**708,361**	-	150,271
Non-current portion of notes payable	**-**	969,891	610,444

a) On January 21, 2019 the Company issued a promissory note payable in the amount of $33,842 (C$45,000). This promissory note payable was due on December 31, 2020 bearing interest at 6% per annum. On April 1, 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).

b) On April 1, 2019, the Company converted a promissory note in the amount of $153,100 (C$205,000) plus $1,984 (C$2,652) of interest into 2,050,000 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).

c) On April 30, 2019, the Company issued a promissory note payable in the amount of $125,000. The promissory note was due July 31, 2019 and bears interest at a rate of 4% per annum. 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 if the loan was not paid in full by August 31, 2019. On July 15, 2020, the Company settled the promissory note in 4,100,634 units in the private placement on the same date. The note had a carrying amount of $148,745 which represented the principal plus interest and $30,000 of late payment penalties. The Company recorded a loss on debt settlement of $2,380 which is included in general and administrative expense.

d) On October 1, 2019, the Company issued a promissory note payable in the amount of $188,765 (C$250,000). The promissory note payable was 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 which was been recorded as shares to be issued on the consolidated statements of changes in equity. The note payable has been recognized at amortized cost of $163,093 (C$216,000). On May 20, 2020, the Company issued a total of 844,444 common shares of which 694,444 were to settle an administrative charge of $18,876 (C$25,000) and the remaining 150,000 common shares were to settle the obligation to issue shares. The Company repaid the principal of $250,000 on December 11, 2020. As at December 31, 2020, the Company had a balance owing of $22,944 for accrued interest. The interest was repaid on January 11, 2021 (note 29).

15. CONVERTIBLE NOTE PAYABLE

	2020	2019	2018
	$	$	$
Balance, beginning of period	**192,717**	-	-
Issue of notes payable	**-**	188,893	-
Unrealized foreign exchange loss	**3,971**	3,596	-
Interest expense	**3,842**	228	-
Balance, end of period	**200,530**	192,717	-
Less: Current portion	**200,530**	192,717	-
Non-current portion of convertible note payable	-	-	-

(in United States dollars, except where noted)

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.

16. LOANS PAYABLE

	2020 **$**	2019 $	2018 $
Balance, beginning of period	**761,711**	717,460	676,849
Acquisition of Kai Medical	**1,276,449**	-	-
Acquisition of Lawrence Park	**27,172**	-	-
Acquisition of 11000900 Canada Ltd.	**18,115**	-	-
CEBA loan	**31,417**	-	-
Accretion expense	**1,345**	-	-
Interest expense	**60,397**	44,251	40,611
Repayment	**(44,379)**	-	-
Balance, end of period	**2,132,227**	761,711	717,460
Less: Current portion of loans payable	**992,070**	-	-
Non-current portion of loans payable	**1,140,157**	761,711	717,460

Loans payable as at December 31, 2019 and December 31, 2018 consisted only of a loan with Bayview Equities Ltd. (the "Secured Party") with a principal amount of $550,000. The balance as at December 31, 2019 and December 2018 reflects the principal plus accrued interest to date. The loan bears interest at 6% per annum and is due upon demand. The loan is secured by a grant to the Secured Party of a security interest in all the assets of EHC. On January 11, 2021, the Company repaid the principal and accrued interest of $258,293.

On October 5, 2020, through the acquisition of Kai Medical, the Company assumed three secured loans with a total fair value of $1,276,449. The details of these loans are outlined in note 6 of these consolidated financial statements. From the date of acquisition to December 31, 2020, the total accretion expense and interest expense applicable to the Kai loans payable were $13,284 and $1,345, respectively.

On December 31, 2020, through the acquisition of LP&A, the Company assumed two CEBA loans with a fair value of $27,172 (C$34,595) and $18,115 (C$23,064) and amounts due at maturity of C$60,000 and C$40,000, respectively. The loans are interest free until January 1, 2023, at which time interest accrues at a rate of 5% per annum, payable monthly on the last day of each month. The loans have a possibility of forgiveness of 33% of each loan if they are repaid on or before December 31, 2022. The loans were discounted using an annual rate of 3.21% and the fair value reflects an estimate that the amount will be repaid prior to December 31, 2022.

On May 27, 2020, the Company receive a Canada Emergency Business Account ("CEBA") loan in the amount of $31,417 (C$40,000). The loan is interest free until January 1, 2023, at which time accrues interest at a rate of 5% per annum, payable monthly on the last day of each month. The loan has a possibility of forgiveness of 33% if it is repaid on or before December 31, 2022.

In the year ended December 31, 2020, the Company made scheduled payments on loans payable of $44,379.

17. CONVERTIBLE DEBENTURES

	2020 **$**	2019 $	2018 $
Balance, beginning of period	**427,320**	274,466	1,835,225
Proceeds from Issuance of convertible debentures	**-**	753,491	442,437
Amount allocated to conversion option	**-**	(753,491)	(172,386)
Amount converted to units	**(732,796)**	-	(2,129,728)
Unrealized foreign exchange (gain) loss	**(23,378)**	5,564	-
Interest expense	**16,008**	45,112	57,397
Accretion expense	**312,846**	102,178	241,521
Balance, end of period	**-**	427,320	274,466

(in United States dollars, except where noted)

Conversion feature consists of the following:

	2020	2019	2018
	$	$	$
Balance, beginning of period	**2,795**	22,565	1,038,562
Amount allocated to conversion option	**-**	753,491	172,386
Amount converted to units	**-**	(189,735)	(298,247)
Gain on change in fair value of conversion feature	**(2,795)**	(583,526)	(890,136)
Balance, end of period	**-**	2,795	22,565

The fair value of the conversion feature at December 31, 2019 was determined using a Black-Scholes option pricing model with the following inputs:

Grant Date	Expected Life (years)	Unit Price	Expected Volatility	Expected dividend yield	Risk-Free Rate	Fair Value
December 31, 2019	0.25 -0.34	$0.03 (C$0.04)	100.0%	0%	1.71%	$2,795

As at December 31, 2020, all conversion features were exercised or expired and thus had a fair value of $nil.

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.

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 17(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 17(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 17(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.

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.

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 aggregate 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 20(b)).

On April 2, 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. Fair value allocated to share capital at the date of conversion was $251,871.

(in United States dollars, except where noted)

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. Fair value allocated to share capital at the date of conversion was $56,232.

On May 7, 2020, pursuant to the conversion of convertible debentures with a face value of $178,380 (C$250,000) and accrued interest of $20,600 (C$28,871), the Company issued 3,064,515 common shares and 3,064,515 common share purchase warrants. Fair value allocated to share capital at the date of conversion was $313,250.

18. LEASE LIABILITY

	Empower clinics $	**Sun Valley clinics $**	**CBD extraction facility $**	**Kai Medical $**	**Lawrence Park & Atkinson $**	**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
Acquisition of Kai Medical	-	-	-	294,669	-	294,669
Acquisition of LP&A	-	-	-	-	45,595	45,595
Interest expense	568	15,669	11,103	3,969	-	31,309
Payments	(12,270)	(173,139)	(15,405)	(25,586)	-	(226,400)
Termination of leases	-	-	(383,683)	-	-	(383,683)
Balance, December 31, 2020	**3,059**	**174,680**	**-**	**273,052**	**45,595**	**496,386**
Less: current portion of lease liability	3,059	108,645	-	87,452	41,982	241,138
Lease liability	**-**	**66,035**	**-**	**185,600**	**3,613**	**255,248**

The Company defaulted on the right-of-use CBD extraction facility and as a result, derecognized the right of us asset associated with the CBD extraction facility (note 11). In connection with the previous, the Company extinguished the associated lease liability in the amount of $383,683.

On October 5, 2020, through the acquisition of Kai Medical, the Company assumed a leased premises and the associated lease liability with a fair value of $294,669. From the date of acquisition to December 31, 2020, the total interest expense and payments were $3,969 and $25,586, respectively.

During the year ended December 31, 2020, the Company recognized an expense of $46,885 (December 21, 2019 - $92,349) with respect to short-term and low value leases.

19. 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 in the consolidated statement of loss and comprehensive loss.

	Exercise Price (C$)	Warrants #	Warrant Liability $
As at December 31, 2017		-	-
Issued		14,894,898	1,704,597
Gain on change in fair value of warrant liability			(1,598,425)
As at December 31, 2018		14,894,898	106,172
Issued	C$0.18	34,615,104	2,084,768
Exercised	C$0.19	(422,678)	(18,847)
Expired	C$0.36	(2,830,035)	-
Gain on change in fair value of warrant liability			(2,065,781)
As at December 31, 2019		46,257,289	106,312
Issued	C$0.12	69,400,524	1,061,738
Exercised	C$0.13	(49,800,176)	(5,341,149)
Expired	C$0.39	(11,642,185)	-
Loss on change in fair value of warrant liability			11,886,796
As at December 31, 2020		**54,215,452**	**7,713,697**
Less: Current portion of warrant liability		-	1,416,113
Non-current portion of warrant liability		-	6,297,584

The following table summarizes the warrants outstanding and exercisable as at December 31, 2020:

Expiry date	Number of warrants	Weighted average exercise price ($C)	Weighted average remaining life (in years)
April 02, 2021	7,643,637	0.16	0.25
May 03, 2021	2,559,470	0.16	0.34
July 22, 2021	1,018,245	0.16	0.56
August 12, 2021	928,817	0.16	0.61
August 19, 2021	929,864	0.16	0.63
September 13, 2021	102,696	0.16	0.70
September 20, 2021	102,812	0.16	0.72
April 16, 2022	5,200,000	0.10	1.29
July 15, 2022	5,416,700	0.12	1.54
August 25, 2022	1,500,000	0.05	1.65
September 09, 2022	3,746,080	0.31	1.69
November 09, 2022	24,567,131	0.12	1.86
October 05, 2023	500,000	0.05	2.76
	54,215,452	**0.14**	**1.39**

On April 23, 2018, as part of the Transaction, the Company converted convertible debentures and issued 11,373,368 share purchase warrants (note 20(b)).

On April 23, 2018, as part of the Transaction, the Company converted $50,000 of notes payable into 268,817 units; each consists of one common share and one common share purchase warrant (note 17(a)).

On June 11, 2018, the Company issued 2,000,000 units; each consists of one common share and one common share purchase warrant (note 20(b)).

On October 23, 2018, the Company converted $122,030 of notes payable into 517,132 units; each consists of one common share and one common share purchase warrant (note 20(b)).

On October 23, 2018, the Company issued 312,903 units; each consists of one common share and one common share purchase warrant (note 20(b)).

On December 14, 2018, the Company issued 422,678 units; consisting of 422,678 common shares and 422,678 common share purchase warrants (note 20(b)).

On April 2, 2019, the Company issued 21,115,000 units; each consists of one common share and one common share purchase warrant (note 20(b)). The warrants expire April 2, 2021.

On May 3, 2019, the Company issued 5,762,500 units; each consists of one common share and one common share purchase warrant (note 20(b)). The warrants expire May 3, 2021.

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 20(b)). The warrants expire July 22, 2021.

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 20(b)). The warrants expire August 12, 2021.

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 20(b)). The warrants expire August 19, 2021.

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 20(b)). The warrants expire August 26, 2021.

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 20(b)). The warrants expire September 13, 2021.

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 20(b)). The warrants expire September 20, 2021.

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.

On April 2, 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 (note 20(b)). Each warrant entitles the holder to acquire one common share at a price of $0.11 (C$0.16) for a period of two years following the closing date of the conversion.

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 (note 20(b)). Each warrant entitles the holder to acquire one common share at a price of $0.11 ($C0.16) for a period of two years following the closing date of the conversion.

On April 16, 2020, pursuant to a private placement financing, the Company issued 16,325,000 units at a price of C$0.03 (C$0.04) per unit for gross proceeds of $462,399 (C$653,000).Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.10 (C$0.07) per share for a period of two years following the closing date of the financing.

On May 7, 2020, pursuant to the conversion of convertible debentures with a face value of $178,380 (C$250,000) and accrued interest of $20,600 (C$28,871), the Company issued 3,064,515 common shares and 3,064,515 common share purchase warrants (note 20(b)). 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.

On July 16, 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 $532,279 (C$720,866). 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 24 months following the closing date of the financing.

On October 5, 2020, the Company issued 500,000 warrants for $0.03 (C$0.05) pursuant to costs in connection with the acquisition of Kai Medical. 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 36 months following the closing date of the financing.

On November 9, 2020, pursuant to a private placement financing, the Company issued 24,567,131 units for $0.04 (C$0.05) per unit for gross proceeds of $944,257 (C$1,228,366). 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 24 months following the closing date of the financing.

20. EQUITY

a) Authorized share capital

Unlimited number of common shares without nominal or par value. At December 31, 2020, there were 283,811,903 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.

b) Issued – common shares

During the year ended December 31, 2018, the Company completed the following transactions:

i. On April 19, 2018, as part of the Transaction (note 4), the common shares of Adira were consolidated at a ratio of 20:1. In addition, the Company issued 2,544,075 common shares at a fair value of C$0.31 ($0.24) per share for purchase consideration of $614,415.

ii. On April 23, 2018, pursuant to the conversion of convertible debentures with a face value of $2,089,495, the Company issued 11,373,368 common shares and 11,373,368 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.30 (C$0.39) per share 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 $298,247 and the debt was valued at $2,014,197. Consideration of $1,306,894 was recorded to warrant liability and the residual amount of $1,005,550 was recorded to issued capital.

iii. On April 23, 2018, pursuant to the conversion of $50,000 in promissory notes payable, the Company issued 268,817 common shares and 268,817 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.30 (C$0.39) per share for a period of two years following the closing date of the conversion. Consideration of $30,822 was recorded to warrant liability and the residual amount of $19,178 was recorded to issued capital.

iv. On April 23, 2018, pursuant to a shareholder rights offering financing, the Company issued 8,443,473 common shares at a price of $0.24 (C$0.31) per share for gross proceeds of $2,020,357 (C$2,617,477).

v. On June 11, 2018, pursuant to a marketing services agreement, the Company issued 2,000,000 units at a fair value of $0.24 (C$0.31) per unit for total fair value consideration of $477,180 (C$620,000). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of C$0.36 ($0.28) per share for a period of two years following the closing date of the financing. Consideration of $287,961 was recorded to warrant liability and the residual amount of $189,219 was recorded to issued capital. Subsequent to issuing the units, the Company cancelled the marketing services agreement due to non-performance of services by the marketing company. The units remained outstanding at December 31, 2018, subsequent to which the Company obtained from the holder the certificates of all 2,000,000 common shares and 2,000,000 common share purchase warrants. The Company cancelled these securities.

vi. On June 11, 2018, pursuant to obligations under employment contract, the Company issued 2,000,000 common shares to the former CEO, for a fair value of $0.24 (C$0.31) per common share for total consideration paid to the former CEO of $477,180 (C$620,000).

vii. On October 23, 2018, the Company converted notes payable with a face value $117,000 of the debt plus $7,389 of interest into 517,132 units (note 11(c)). 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 $0.28 (C$0.36) per share for a period of twelve months following the closing date of the conversion. Consideration of $52,433 was recorded to warrant liability and the residual amount of $137,901 was recorded to issued capital.

viii. On October 23, 2018, pursuant to a private placement financing, the Company issued 312,903 units for $0.24 (C$0.31) per unit for gross proceeds of $71,938 (C$97,000). 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 $0.28 (C$0.36) per share for a period of twelve months following the closing date of the financing. Consideration of $12,310 was recorded to warrant liability and the residual amount of $71,938 was recorded to issued capital.

ix. On October 23, 2018, the Company issued 423,076 common shares at a fair value of C$0.29 ($0.22) per common share for services received for total fair value consideration of $92,856 (C$120,000).

x. On October 23, 2018, pursuant to restructuring, the Company issued 1,204,851 common shares for $0.18 (C$0.23) per common share.

xi. On December 14, 2018, pursuant to the conversion of 422,678 units of convertible debentures with a face value of $57,980 (C$75,060), the Company issued 422,678 common shares and 422,678 common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of $0.14 (C$0.19) per share 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 $18,990. Consideration of $14,177 was recorded to warrant liability and the residual amount of $4,813 was recorded to issued capital.

During the year ended December 31, 2019, the Company completed the following transactions:

i. 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 fair value of $0.14 (C$0.18) per common share.

ii. 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.

iii. On March 8, 2019, pursuant to a service agreement, the Company issued 1,500,000 common shares at a fair value 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).

iv. 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.

v. 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). 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. 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.

vi. 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 released during the year ended December 31 2019. As at December 31, 2020, there were 7,352,943 Escrow shares remaining.

vii. 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%.

viii. 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.

ix. 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.

x. On June 17, 2019, pursuant to obligations under an employment contract, the Company issued 7,000,000 common shares to the CEO, for a fair 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, 2020, of the 5,000,000 shares initially held in escrow, a total of 2,499,996 common shares had vested (December 31, 2019 – 833,332). In connection with the vesting of these shares, the Company recorded $174,463 in professional fees for the year ended December 31, 2020 (December 31, 2019 - $86,594).

xi. 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. As at December 31, 2020, of the 400,000 shares initially held in escrow, a total of 266,640 common shares had vested (December 31, 2019 – 88,880). In connection with the vesting of these shares, the Company recorded $18,562 in professional fees for the year ended December 31, 2020 (December 31, 2019 – $9,281)

xii. 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.

xiii. 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.

xiv. 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.

xv. 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.

xvi. 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.

xvii. 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.

xviii. 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.

xix. 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.

xx. 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.

xxi. 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.

During the year ended December 31, 2020, the Company completed the following transactions:

Shares issued to former CEO

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

Shares issued on private placement

ii. 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) ($1,026 of which was allocated to the warrant liability and recorded in the P&L) and the issuance of 60,000 share purchase warrants valued at $1,017 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 $276,809 was recorded to warrant liability and the residual amount of $185,590 was recorded to issued capital.

iii. 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) ($1,518 of which was allocated to the warrant liability and recorded in the P&L) 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.

iv. On October 27, 2020, pursuant to a private placement financing, the Company issued 1,500,000 units for $0.04 (C$0.05) per unit for gross proceeds of $56,974 (C$75,000). Each unit consists 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. Of gross proceeds, $32,956 was allocated to share capital and $24,698 was allocated to warrant liability.

v. On November 9, 2020, pursuant to a private placement financing, the Company issued 23,067,131 units for $0.04 (C$0.05) per unit for gross proceeds of $889,250 (C$1,153,357). Each unit consists 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 ($42,403 of share issuance costs which was allocated to the warrant liability and recorded in the P&L). Of gross proceeds, $506,801 was allocated to share capital and $382,449 was allocated to warrant liability.

Shares issued on debt settlement

vi. 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.

vii. On May 7, 2020, the Company issued 347,142 common shares for $0.06 (C$0.08) per common share for total fair value consideration of $19,812 (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.

viii. On May 20, 2020, the Company issued 694,444 common shares for $0.05 (C$0.07) per common share for total fair value consideration of $34,992 (C$48,611) as settlement of accounts payable in the amount of $17,996 (C$25,000) resulting in a gain on debt settlement of $500.

Vesting of escrow shares

ix. For the year ended December 31, 2020, the Company recognized $193,025 in connection with the vesting of escrow shares as discussed in note 20(b).

Shares issued for services

x. 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 $190,110 (C$252,276) for marketing services.

xi. 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 $135,529 (C$191,015) for marketing services.

xii. 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 $161,715 (C$214,237) as settlement of accounts payable in the amount of $184,173 (C$244,103) resulting in a gain on debt settlement of $22,458.

Shares issued on conversion of debentures

xiii. On April 2, 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 $276,478. Consideration of $24,607 was recorded to warrant liability and the residual amount of $251,871 was recorded to issued capital.

xiv. 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 $78,213. Consideration of $21,981 was recorded to warrant liability and the residual amount of $56,232 was recorded to issued capital.

(in United States dollars, except where noted)

xv. 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 6,129,030 common shares and 6,129,030 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 $417,815. Consideration of $104,565 was recorded to warrant liability and the residual amount of $313,250 was recorded to issued capital.

Obligation to issue shares

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

Exercise of options

xvii. 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) resulting in the issuance of 7,000,000 common shares. The proceeds of $745,531 (C$980,000) for the options was not received by December 31, 2020 and the Company recorded a share subscriptions receivable against the freely trading common shares.

xviii. On December 8, 2020, 300,000 options with an exercise price of $0.04 (C$0.05) were exercised for proceeds of $11,718 (C$15,000) resulting in the issuance of 300,000 common shares. Upon exercise, $4,047 was transferred from contributed surplus to equity.

xix. On December 14, 2020, 83,333 options with an exercise price of $0.08 (C$0.10) were exercised for proceeds of $6,527 (C$8,333) resulting in the issuance of 83,333 common shares. Upon exercise, $137 was transferred from contributed surplus to equity.

xx. On December 21, 2020, 200,000 options with an exercise price of $0.20 (C$0.26) were exercised for proceeds of $40,416 (C$52,000) resulting in the issuance of 200,000 common shares. Upon exercise, $32,125 was transferred from contributed surplus to equity.

Exercise of warrants

During the year ended December 31, 2020, the Company issued common shares as a result of warrant exercises as follows:

Issue date	Number of warrants exercise and shares issued	Weighted average exercise price ($C)	Weighted average exercise price	Cash received	Warrant liability transferred to share capital	Share capital
December 8, 2020	1,000,000	0.12	0.0937	93,691	121,464	215,156
December 8, 2020	909,090	0.16	0.1249	113,565	97,647	211,212
December 9, 2020	9,125,000	0.10	0.0781	712,724	958,652	1,671,375
December 9, 2020	7,364,515	0.12	0.0937	690,262	675,387	1,365,648
December 9, 2020	5,512,264	0.16	0.1250	688,872	308,191	997,063
December 10, 2020	2,000,000	0.10	0.0785	157,060	267,897	424,957
December 10, 2020	4,736,634	0.12	0.0942	446,361	607,619	1,053,980
December 10, 2020	5,828,618	0.16	0.1256	732,353	484,975	1,217,328
December 10, 2020	431,075	0.19	0.1492	64,319	20,324	84,643
December 14, 2020	2,064,515	0.12	0.0941	194,201	407,762	601,963
December 14, 2020	2,192,728	0.16	0.1254	275,015	367,169	642,184
December 15, 2020	5,300,000	0.16	0.1258	666,562	672,239	1,338,801
December 17, 2020	2,063,637	0.16	0.1258	259,618	194,262	453,880
December 22, 2020	1,700,000	0.16	0.1240	210,722	187,746	398,468
December 28, 2020	61,950	0.16	0.1249	7,740	5,364	13,104
Total	**50,290,026**	**0.13**	**0.1056**	**5,313,064**	**5,376,697**	**10,689,762**

(in United States dollars, except where noted)

Acquisition of Lawrence Park & Atkinson

On December 31, 2020, as part of the consideration in the acquisition of Lawrence Park & Atkinson (note 7), the Company issued 5,128,204 common shares with a fair value of $1,147,925.

c) 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.

Share option transactions and the number of share options outstanding during the years ended December 31, 2020 and 2019, are summarized as follows:

	Number of share options	Weighted average exercise price ($C)
Outstanding, December 31, 2017	3,300,000	0.10
Granted	4,300,000	0.37
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	6,967,761	0.07
Exercised	(7,583,333)	0.14
Outstanding, December 31, 2020	**9,834,428**	**0.08**
Exercisable, December 31, 2020	**9,084,428**	**0.08**

Share options outstanding and exercisable at December 31, 2020, are as follows:

Exercise price (C$)	Weighted average exercise price (C$)	Weighted average life of options (years)	Number of options outstanding	Number of options exercisable
0.10	0.10	2.68	2,316,667	2,316,667
0.02	0.02	2.40	900,000	900,000
0.26	0.26	2.80	250,000	250,000
0.14	0.14	1.46	700,000	700,000
0.05	0.05	2.49	2,749,666	2,374,666
0.08	0.08	0.79	1,500,000	1,500,000
0.06	0.06	4.54	1,150,000	775,000
0.21	0.21	4.98	18,095	18,095
0.12	0.12	0.23	250,000	250,000
Total			**9,834,428**	**9,084,428**

The fair value of share options recognized as an expense during the year ended December 31, 2020, was $323,799 (year ended December 31, 2019 - $608,944, year ended December 31, 2018 - $892,417). The following are the assumptions used for the Black Scholes option pricing model valuation of share options granted during the years ended December 31, 2020, 2019 and 2018:

		Years ended December 31,	
	2020	2019	2018
Risk-free interest rate	**0.20%-1.57%**	1.34%	2.19%-2.37%
Expected life	**1 - 5 years**	3 - 5 years	5 years
Expected volatility	**100%**	100.0%	100.0%
Forfeiture rate	**0.0%**	0.0%	0.0%
Dividend rate	**0.0%**	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)

d) Agent share purchase warrants

Agent share purchase warrant transactions and the number of agent share purchase warrants outstanding and exercisable during the years ended December 31, 2020, 2019, and 2018 are summarized as follows:

	Number of agent share purchase warrants	Weighted average exercise price ($C)
Outstanding, December 31, 2017	-	-
Granted	627,378	0.31
Outstanding, December 31, 2018	627,378	0.31
Granted	877,440	0.16
Outstanding, December 31, 2019	1,504,818	0.24
Granted	1,916,000	0.12
Exercised	(489,850)	0.16
Expired	(627,068)	0.31
Outstanding, December 31, 2020	**2,303,900**	**0.13**

The following table summarizes the agent share purchase warrants outstanding and exercisable as at December 31, 2020:

Expiry date	**Number of warrants**	**Weighted average exercise price ($C)**	**Weighted average remaining life (in years)**
April 2, 2021	363,900	0.16	0.25
May 3, 2021	60,000	0.16	0.34
April 16, 2022	60,000	0.10	1.29
July 15, 2022	60,000	0.12	1.54
November 9, 2022	1,760,000	0.12	1.86
	2,303,900	**0.13**	**1.54**

The fair value of agent share purchase warrants recognized in warrant reserve during the year ended December 31, 2020, was $49,782 (year ended December 31, 2019 - $66,405 and 2018 - $80,280). The following are the assumptions used for the Black Scholes option pricing model valuation of share options granted during the years ended December 31, 2020, 2019, and 2018:

		Years ended December 31,	
	2020	2019	2018
Risk-free interest rate	**0.24% - 0.34%**	1.56 – 1.67%	1.87%
Expected life	**2 years**	2 years	2 years
Expected volatility	**100%**	100.0%	100.0%
Forfeiture rate	**0.0%**	0.0%	0.0%
Dividend rate	**0.0%**	0.0%	0.0%

21. OPERATING EXPENSES

	2020	2019	2018
	$	$	$
Salaries and benefits	**1,763,761**	1,985,735	1,786,804
Rent	**46,885**	84,924	272,768
Advertising and promotion	**1,031,297**	313,870	306,799
Telephone and internet	**165,107**	106,841	97,028
Penalties	**471,000**	165,000	-
Other	**469,358**	277,249	54,282
	3,947,408	2,933,619	2,517,681

(in United States dollars, except where noted)

22. RESTRUCTURING EXPENSE

Subsequent to the Transaction, the Company initiated an organization-wide refocusing and restructuring. Accordingly, the Company incurred $88,808 during the year ended December 31, 2019 (2018 - $110,424) in net charges related to reorganization and restructuring headcount which resulted in multiple one-time severance payments.

23. INCOME TAXES

a) Rate reconciliation

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to earnings before income taxes. The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2019 - 27%, 2018 – 27%) to the effective tax rate is as follows:

		Years ended December 31,	
	2020	2019	2018
	$	$	$
Loss before taxes	**(17,066,311)**	(4,301,663)	(3,789,918)
Combined Canadian federal and provincial income tax rates	**27%**	27%	27%
Expected income tax recovery	**(4,607,900)**	(1,161,450)	(1,023,280)
Items that cause an increase (decrease):			
Effect of different tax rates in foreign jurisdiction	**24,800**	82,490	35,690
Non-deductible expenses less other permanent differences	**217,225**	(367,360)	294,780
Loss on change in fair value of warrant liability	**3,209,435**	-	-
Tax rate changes	**(74,050)**	8,700	152,650
Share issuance costs and other	**(1,910)**	(36,010)	1,690
Change in tax benefits not recognized	**1,232,400**	1,473,630	538,470
Income tax recovery	**-**	-	-

b) Unrecognized deferred tax assets and liabilities

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		As at December 31,
	2020	2019
	$	$
Deferred tax assets:		
Non-capital losses	**19,890,140**	11,870,240
Property and equipment	**(1,007,630)**	31,080
Intangible assets	**674,140**	485,390
Right-of-use assets net of lease liability	**13,530**	25,060
Accrued fees and compensation	**-**	264,360
Share issue costs	**308,660**	340,880
Capital losses carried forward	**5,420**	5,420
Unrealized foreign exchange loss	**1,880**	1,880
Goodwill	**2,216,710**	2,266,520
Deferred tax assets, net	**22,102,850**	15,290,830

c) Expiration of income tax loss carry forwards

As at December 31, 2020, the Company has $11,742,879 of Canadian non-capital income tax losses (unrecognized) which will expire over 2036 through 2040, and $8,147,261 of United States net operating losses (unrecognized) of which $2,688,420 will expire over 2036 through 2038, and $5,458,841 which are indefinite.

(in United States dollars, except where noted)

24. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	Note		Years ended December 31,	
		2020	2019	2018
		$	$	$
Shares issued for acquisition of Sun Valley	5,20(b)	**-**	3,047,682	-
Stock options granted for acquisition of Kai Medical	6	**10,025**	-	-
Warrants issued for acquisition of Kai Medical	6	**10,025**	-	-
Cash payable for the acquisition of LP&A	7	**58,907**	-	-
Stock options granted for acquisition of LP&A	7	**344,110**	-	-
Shares issued for acquisition of LP&A	7, 20(b)	**1,147,925**	-	-
Share-based payments		**323,799**	608,944	892,417
Shares issues for compensation	20(b),26	**-**	304,721	-
Shares returned to treasury (1)	20(b),26	**-**	(477,180)	-
Shares returned to treasury (2)	20(b)	**-**	(477,180)	-
Shares issued on debt settlement	20(b)	**219,150**	184,291	-
Shares issued as settlement of convertible debenture	17,20(b)	**621,353**	189,735	-
Shares issued as settlement of accounts payable	20(b)	**-**	483,098	-
Warrants issued to agents	20(d)	**49,782**	66,405	-
Shares issued for services(3)	20(b)	**547,641**	122,932	-
Shares issued to agents	20(b)	**-**	20,255	-
Vesting of escrow shares(4)	17	**193,025**	-	-
Conversion of convertible debt to share purchase warrants	14,16	**-**	-	1,292,265
Shares issued to marketing services company	20(b)	**-**	-	477,180
Shares issued to former CEO	20(b),26	**-**	-	477,180
Conversion of notes payable into units	11	**-**	-	114,567
		3,525,742	4,073,703	3,253,609

(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.
(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.
(3) The fair value of shares issued for services of $547,641 is contained within advertising and promotion expense (note 21).
(4) The fair value of shares issued for vesting of escrow shares of $193,025 is contained within legal and professional fees.

Income tax payments for the year ended December 31, 2020 were $nil (2019 - $nil, 2018 - $nil). As at December 31, 2020, the Company has accrued $350,000 in late tax filing penalties related to income taxes in the United States.

25. 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, prepaid expenses, inventory, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

(in United States dollars, except where noted)

The Company has no assets or liabilities that would be categorized as Level 2 in the fair value hierarchy.

As at December 31, 2020 and 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 and warrant liability, which are both Level 3 fair value measurements.

b) Risk Management

The Company examines its various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. The risks may include credit risk, currency risk, liquidity risk and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance., where financially feasible to do so. When deemed material, these risks may be monitored by the Company's finance group and they are regularly discussed with the Board of Directors.

i. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

The Company's credit risk is predominantly related to cash balances held in financial institutions and amounts receivable from credit card processors. The maximum exposure to credit risk is equal to the carrying value of such financial assets. At December 31, 2020, the Company expects to recover the full amount of such assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

Cash is only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

ii. Currency risk

The Company's functional currency is the US dollar and therefore the Company's income (loss) and comprehensive income (loss) are impacted by fluctuations in the value of foreign currencies in relation to the US dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies:

	December 31, 2020	December 31, 2019
	$	$
Canadian dollar net monetary liabilities	**2,434,448**	2,434,448

The effect on net loss and comprehensive loss for the year ended December 31, 2020, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary liabilities of the Company is estimated to be an increase/decrease in foreign exchange gain or loss of $534,108 (2019 - $316,186) assuming that all other variables remained constant.

(in United States dollars, except where noted)

iii.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements and its expansion plans.

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The Company has no concentrations of liquidity risk. A summary of future operating commitments is presented in note 28.

As at December 31, 2020, the Company had a cash balance of $4,889,824 and current liabilities of $7,000,937 (December 31, 2019 - $179,153 and $4,449,224 respectively).

vi. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's notes payable, secured loan payable, convertible notes payable and convertible debentures carry fixed interest rates and as such, the Company is not exposed to interest rate risk.

26. 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 years ended December 31, 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 for the years ended December 31, 2020, 2019 and 2018 includes:

	2020 **$**	2019 $	2018 $
Salaries and benefits	**341,601**	734,655	1,063,748
Share-based payments	**12,159**	556,040	892,417
Directors fees	**7,500**	11,250	-
	361,260	1,301,945	1,956,165

Included in salaries and benefits for the year ended December 31, 2020 is $nil (year ended December 31, 2019 - $304,721) related to common shares awarded to the CEO.

Included in salaries and benefits for the year ended December 31, 2018, is $477,180 related to 2,000,000 shares awarded to the former CEO.

As at December 31, 2020, $nil (December 31, 2019 - $28,827) is due to the CEO for advances made on behalf of the Company and $157,055 (December 31, 2019 - 133,444) is due to the CEO for salaries and benefits. The amounts are unsecured and due on demand.

As at December 31, 2020, $53,914 (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.

As at December 31, 2020, share subscriptions receivable consists of $745,531 (C$980,000) due from the CEO for the exercise of 7,000,000 options at an exercise price of $0.11 (C$0.14). Share subscriptions receivable reduces shareholders' equity. The share subscriptions receivable has no specified interest or terms of repayment.

(in United States dollars, except where noted)

27. 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 December 31, 2020, the capital of the Company consists of consolidated deficit, notes payable, convertible notes payable, and loans payable, net of cash.

	As at December 31,	
	2020	2019
	$	$
Deficit	**(5,490,401)**	(3,514,913)
Notes payable	**708,361**	969,891
Convertible debentures payable	**-**	427,320
Convertible notes payable	**200,530**	192,717
Current portion of loans payable	**992,070**	761,711
Loans payable	**1,140,157**	-
	(2,449,283)	(1,163,274)
Less: Cash	**(4,889,824)**	(179,153)
	(7,339,107)	(1,342,427)

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

(in United States dollars, except where noted)

28. COMMITMENTS AND CONTINGENCIES

Commitments

A summary of undiscounted liabilities and future operating commitments at December 31, 2020, are as follows:

	Total $	Within 1 year $	2 - 5 years $	Greater than 5 years $
Maturity analysis of financial liabilities				
Accounts payables and accrued liabilities	**3,442,725**	3,442,725	-	-
Loans payable	**2,132,227**	992,070	143,624	996,533
Notes payable	**708,361**	708,361	-	-
Convertible notes payable	**200,530**	200,530	-	-
Lease payments	**496,386**	241,138	255,248	-
Total financial liabilities	**6,980,229**	5,584,824	398,872	996,533

Contingencies

Various tax and legal matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements in the period such changes occur.

29. EVENTS AFTER THE REPORTING PERIOD

On January 11, 2021, the Company repaid principal of $550,000 and accrued interest of $258,293 to the Secured Party.

On January 11, 2021, the Company repaid accrued interest of $22,944 related to the $188,765 (C$250,000) promissory note that was due April 1, 2020. The principal balance had been repaid on December 11, 2020. As at December 31, 2020, the Company has no continued obligation with respect to the promissory note.

On January 11, 2021, the Company repaid a note payable with a balance of principal and accrued interest of $521,951 as at December 31, 2020.

On February 26, 2021, the Company issued 1,207,206 common shares pursuant to an online marketing agreement.

On March 8, 2021, the Company issued 1,760,000 common shares and 1,760,000 warrants pursuant to the exercise of 1,760,000 agent share purchase warrants for gross proceeds of $88,000.

On June 17, 2020, the Company issued 13,204 common shares pursuant to a professional services agreement.

The Company issued 43,145,547 common shares pursuant to the exercise of 43,145,547 warrants for gross proceeds of $5,517,102.

The Company issued 3,464,666 common shares pursuant to the exercise of 3,464,666 shares options for gross proceeds of $259,233.

During the period from December 31, 2020 to the date of these financial statements, 63,900 warrants expired.

During the period from December 31, 2020 to the date of these financial statements, 2,061,364 stock options were granted and 1,936,667 stock options expired.